MAY
1937

CONSTRUCTION BULLETIN

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The Real Estate ANALYST

REAL ESTATE ANALYSTS, INC.

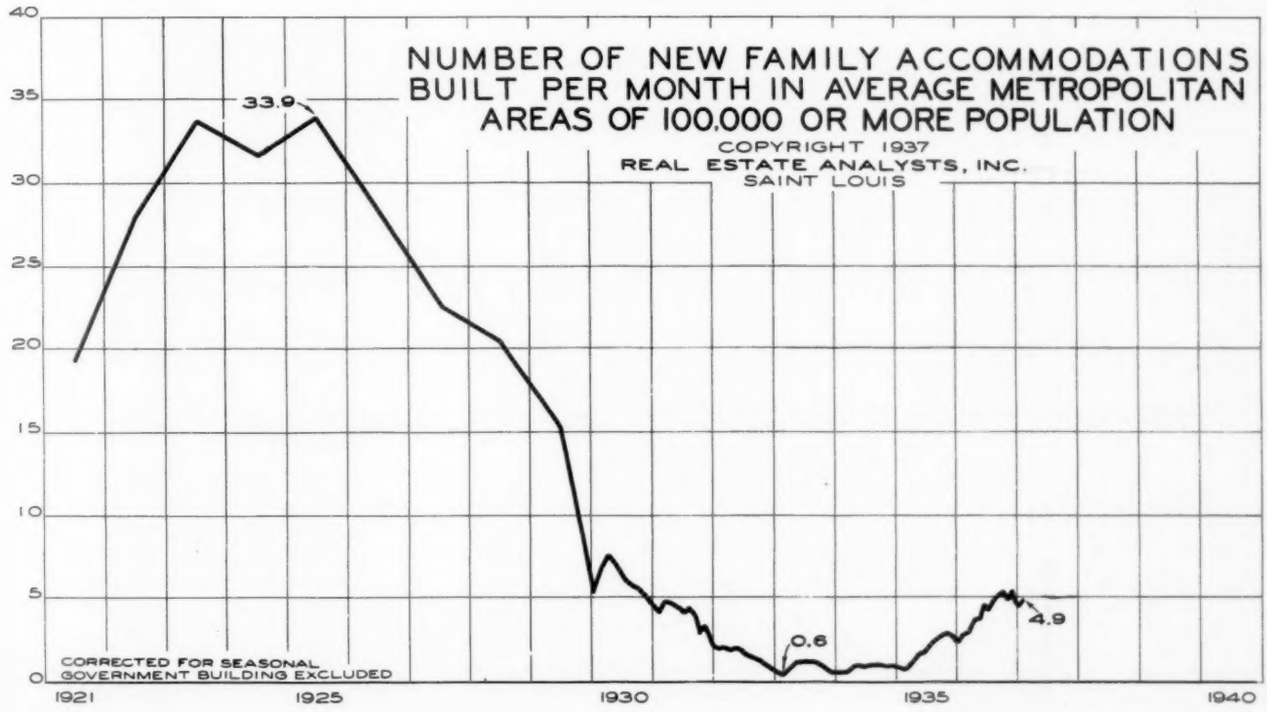
Real Estate Economists, Appraisers and Counselors

SAINT LOUIS

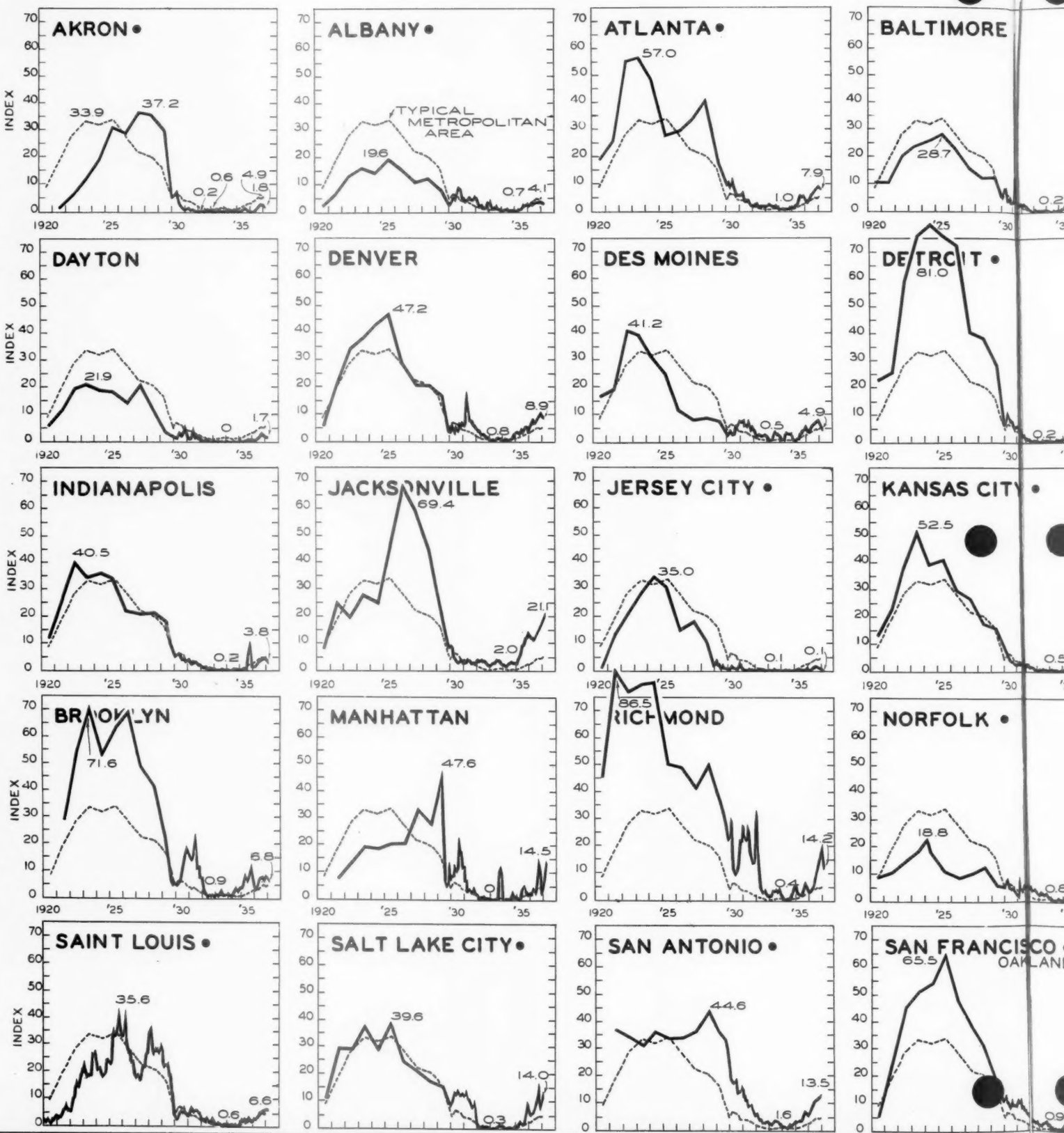
CONSTRUCTION VOLUME IN METROPOLITAN AREAS

THIS is the first of our Construction Bulletins which will be mailed quarterly to our clients. On the ninety-five charts showing individual metropolitan areas and cities in this report, we show for each area a comparison of its new residential building with the typical experience in all of the metropolitan areas of the United States. The dotted line on each chart shows this typical experience which is computed by taking the median each month of all of the cities included. In all of these charts new building is expressed as the number of new family accommodations provided per month for each 10,000 families. In each case where it has been possible, the suburbs have been included with the central city. This is indicated by the black dot following the name of the city. In those metropolitan areas where suburbs with more than 100,000 population were included, the names of these suburbs are listed on the chart in smaller type. In most cities the figures for a large part of the suburban areas were not available prior to a few years ago and, accordingly, we believe most of our charts to be slightly too low during the last boom. The inclusion of additional suburban areas during the last boom, however, would not raise the figures we have shown on our charts in the average city by more than three or four points. In the ninety-five areas charted in this report are included two hundred and fifty-six cities and towns.

(continued on last page)



NUMBER OF NEW FAMILY ACCOMMODATIONS BUILT PER MONTH PER 10000 FAMILIES



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BUILT PER MONTH - PER 10,000 FAMILIES - IN ALL CITIES HAVING MOR

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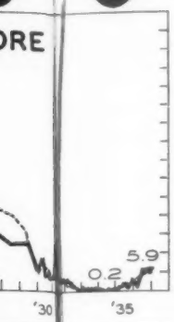

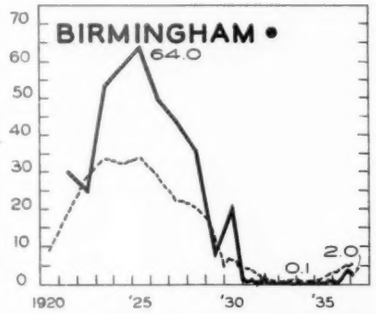

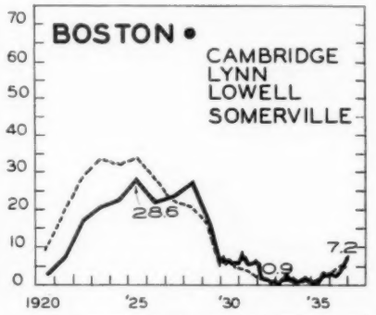

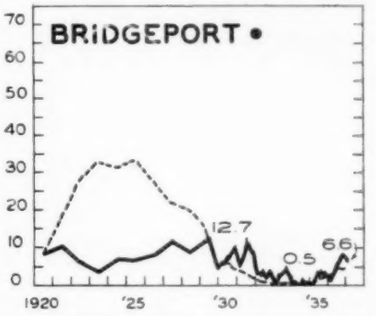

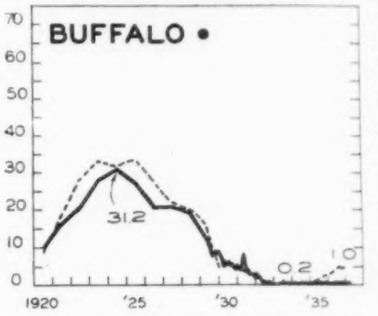

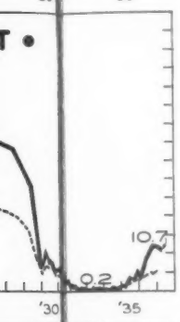

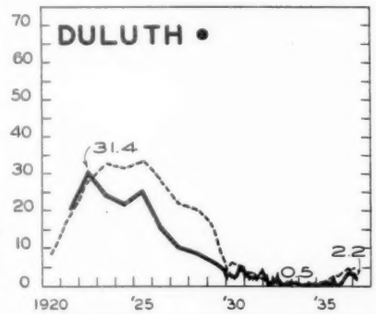

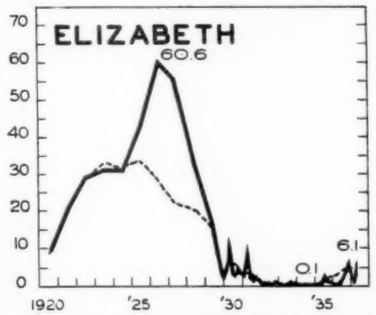

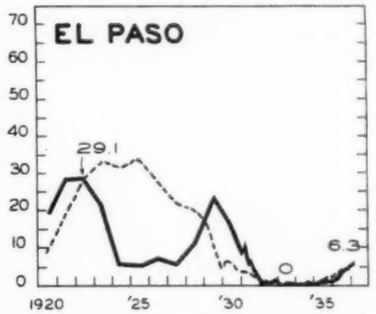

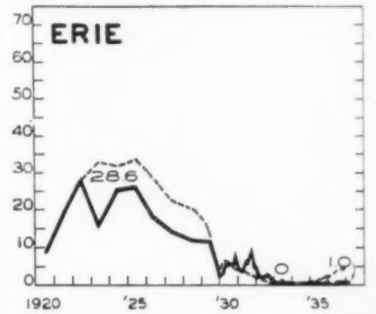

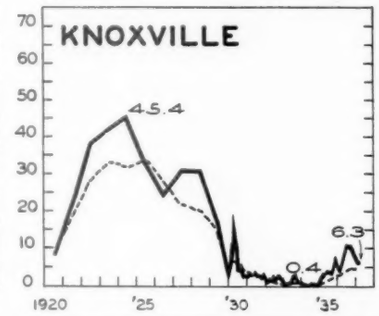

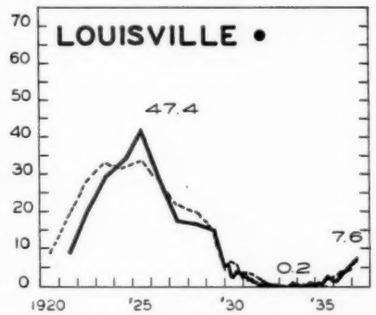

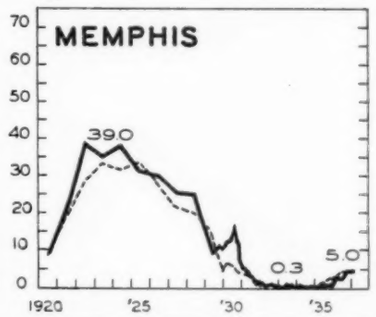

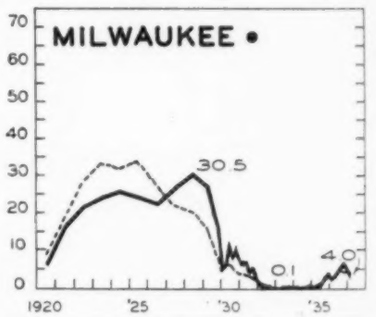

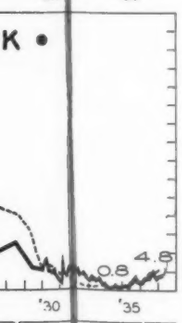

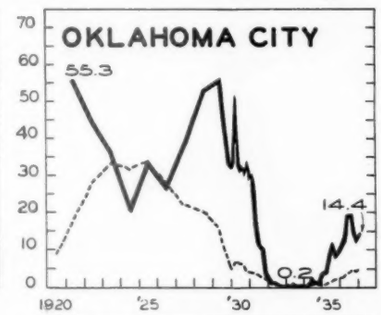

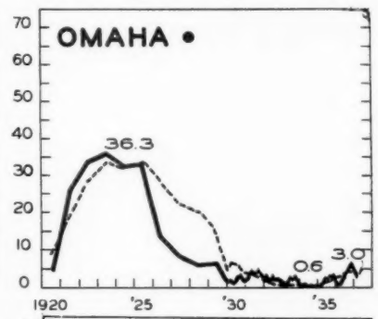

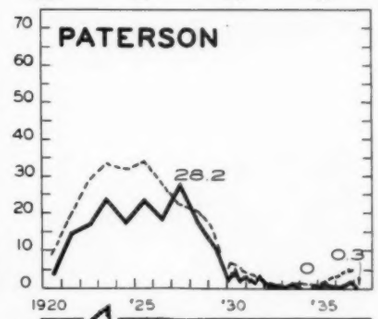

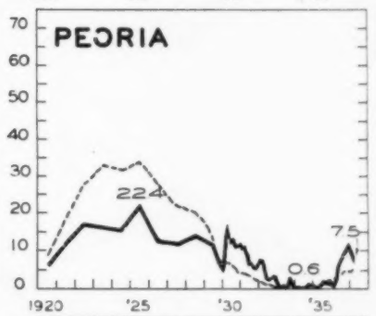

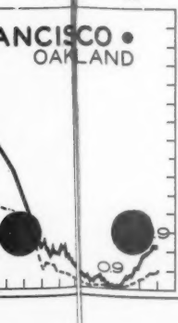

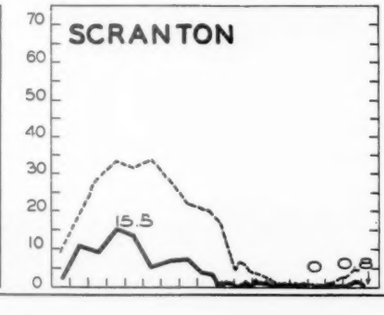

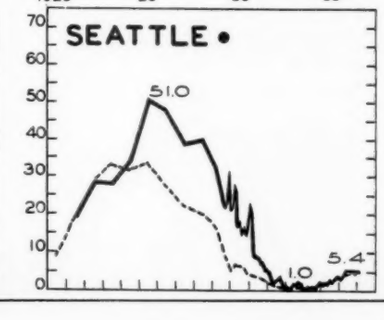

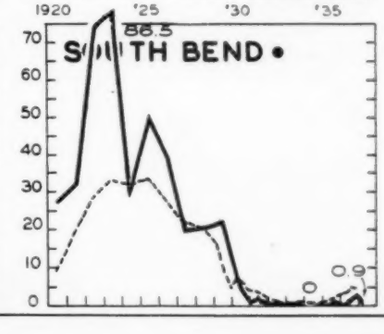

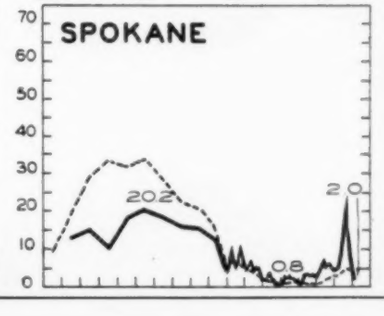

NEW FAMILY ACCOMMODATIONS

HAVING MORE THAN 100,000 POPULATION IN 1930

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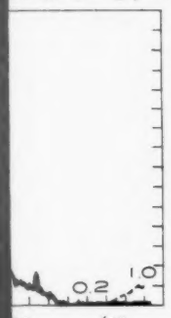

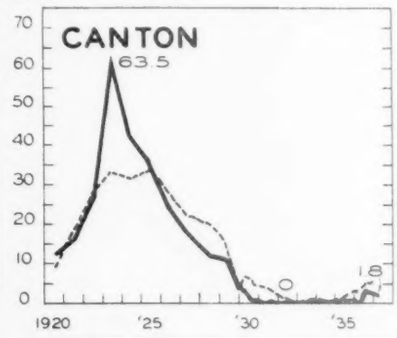

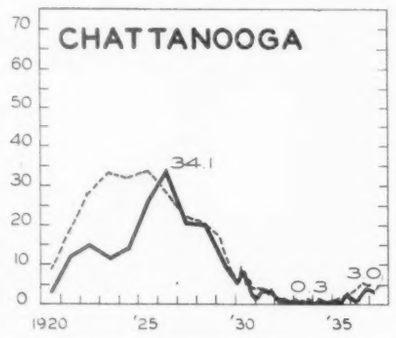

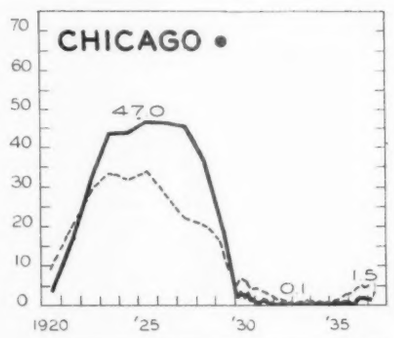

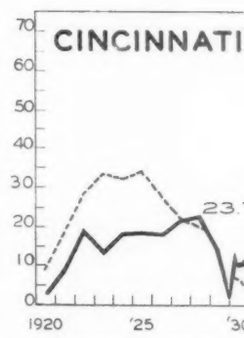

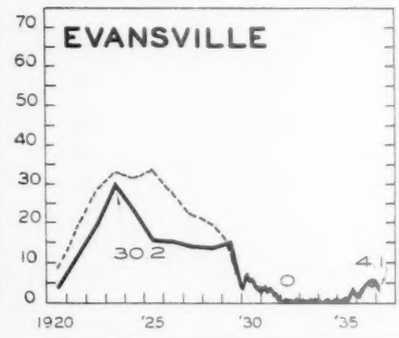

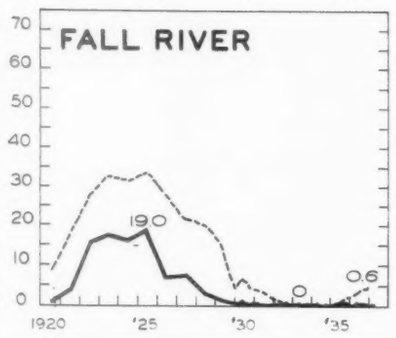

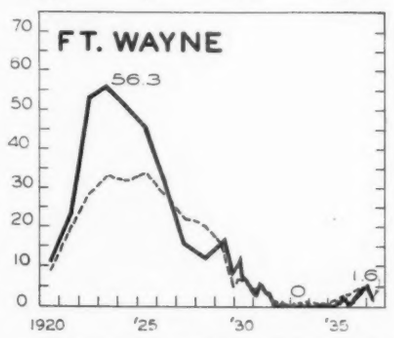

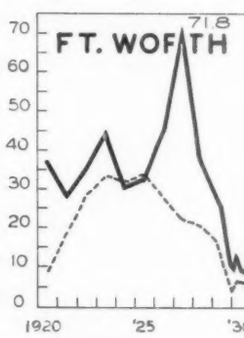

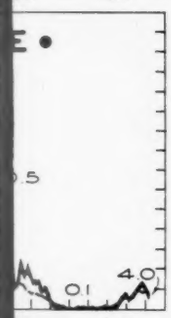

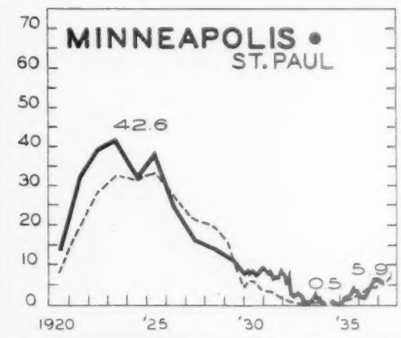

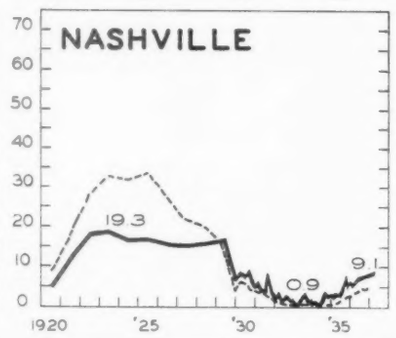

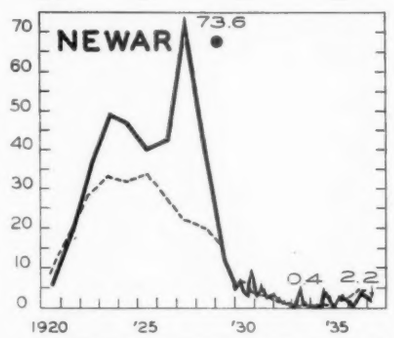

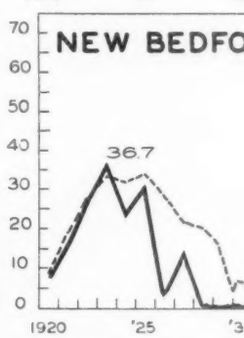

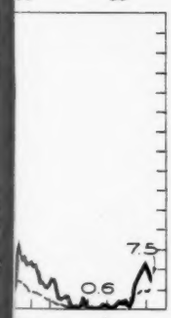

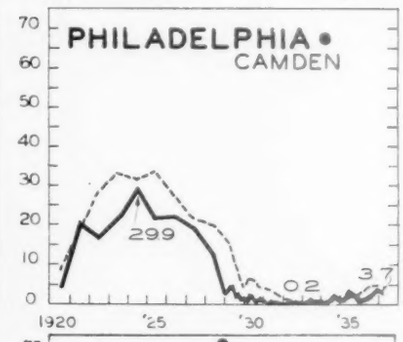

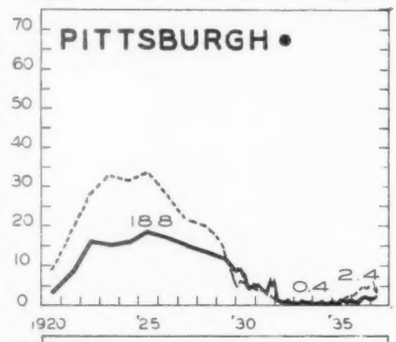

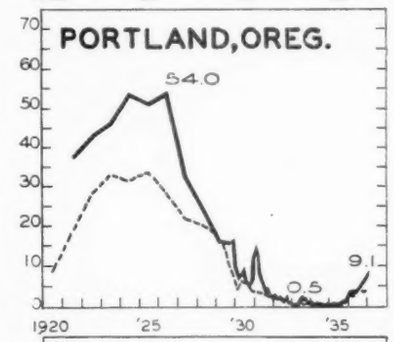

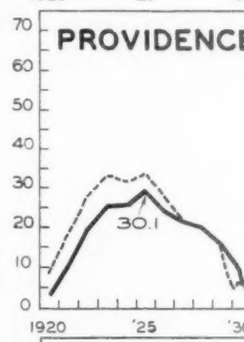

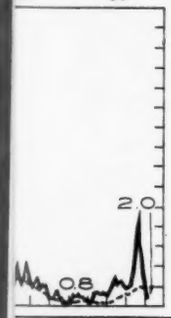

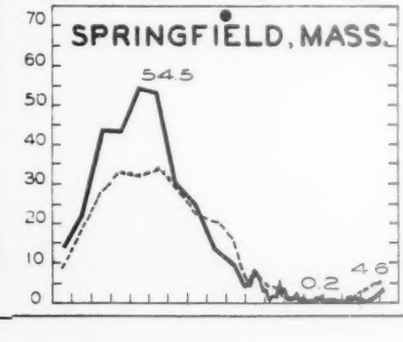

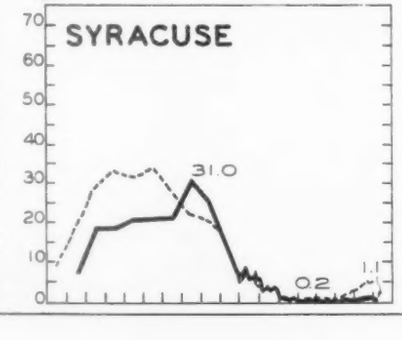

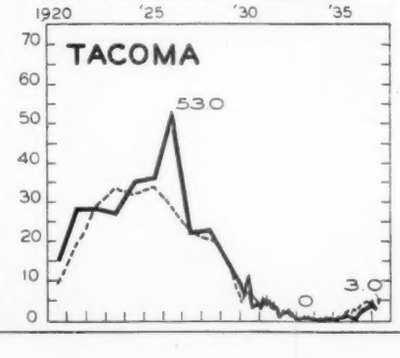

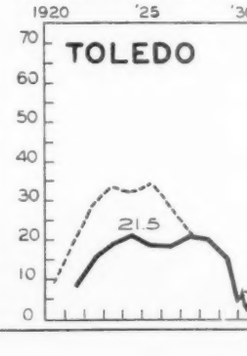

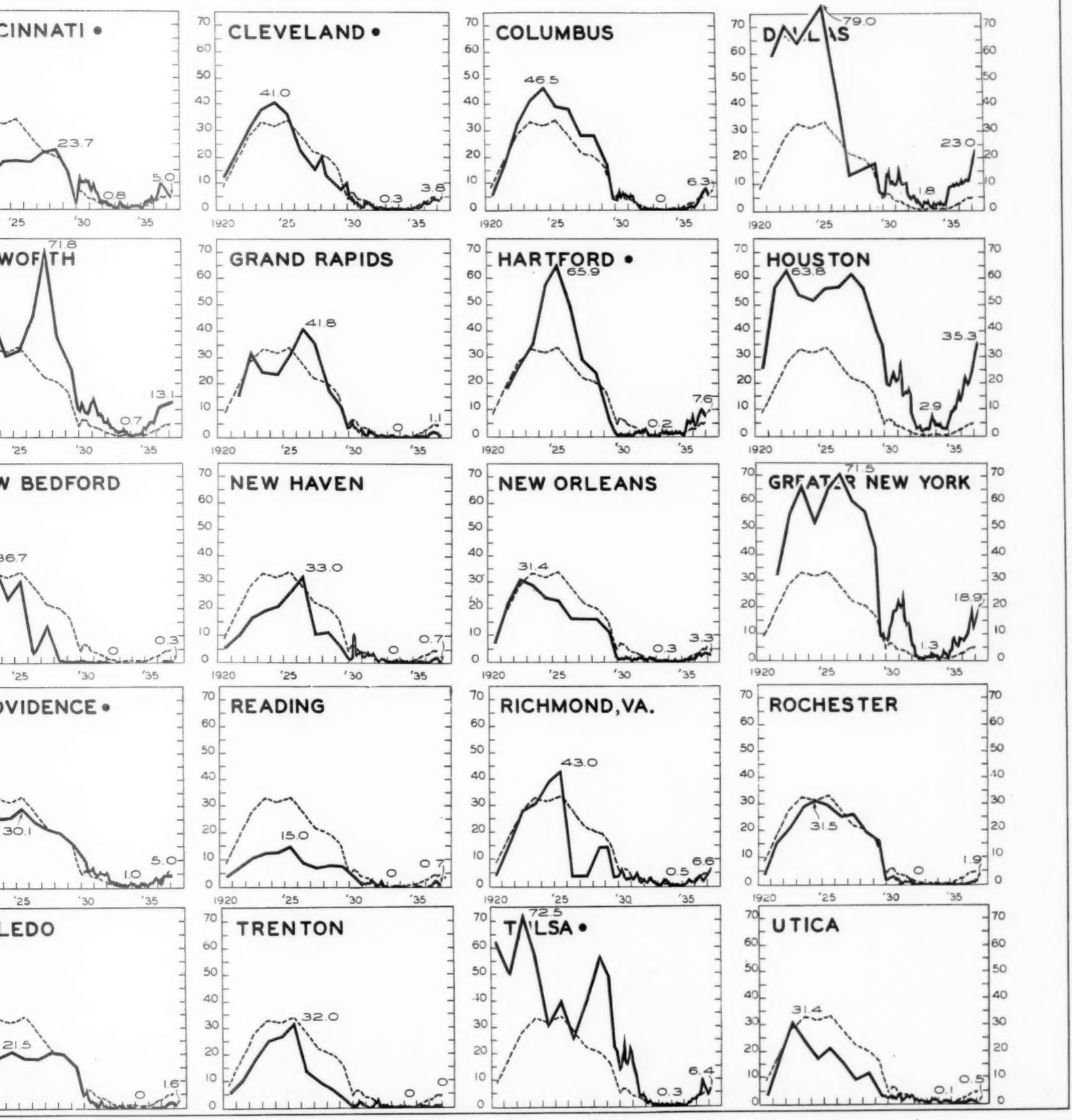
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13.1
GRAND RAPIDS
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HARTFORD •
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HOUSTON
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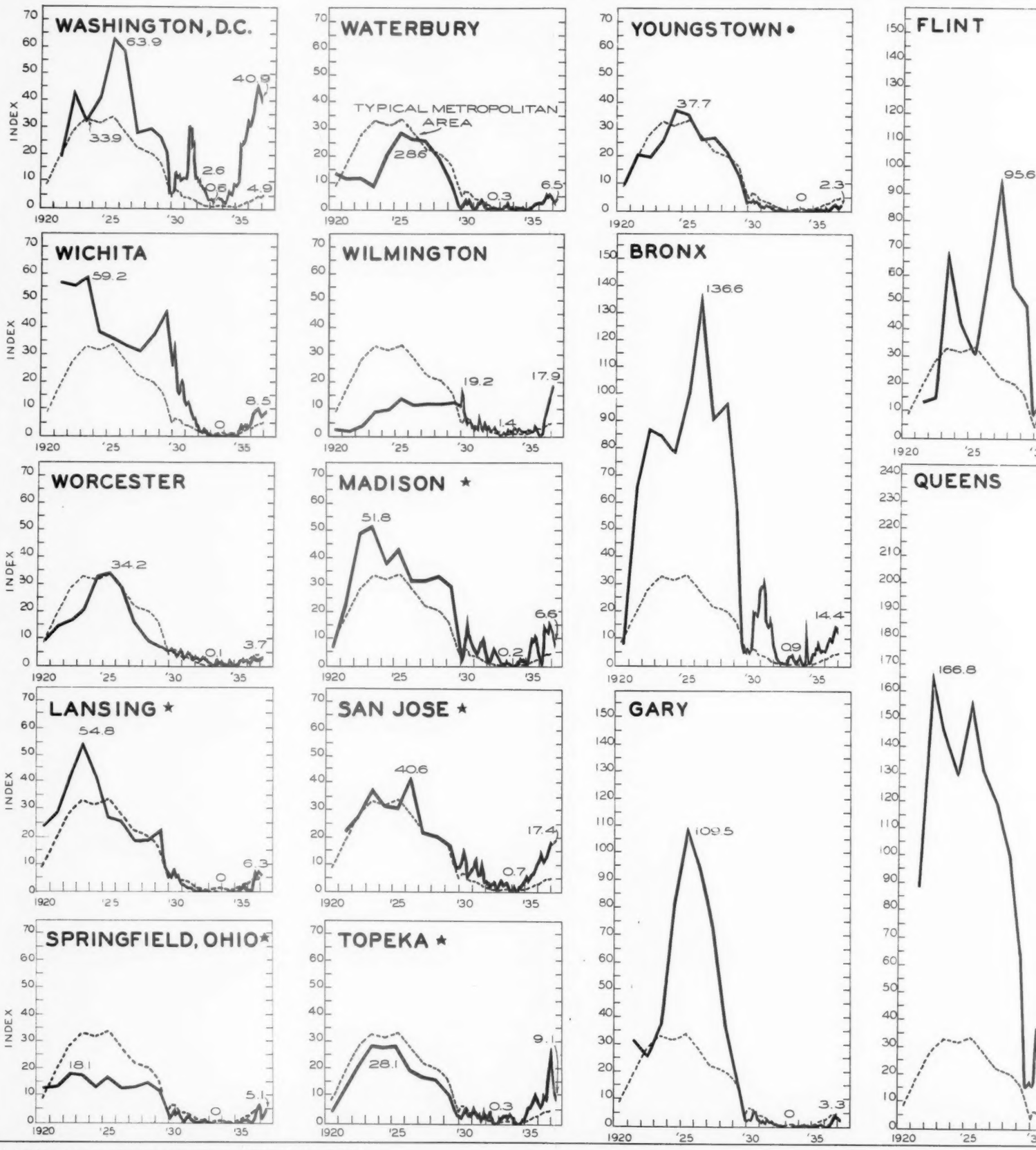
0.7
NEW ORLEANS
31.4
0.3
3.3
GREATER NEW YORK
71.5
1.3
18.9
OVIDENCE •
30.1
1.0
5.0
READING
15.0
0
0.7
RICHMOND, VA.
43.0
0.5
6.6
ROCHESTER
31.5
0
1.9
LEDO
21.5
0
1.6
TRENTON
32.0
0
0
TULSA •
72.5
0.3
6.4
UTICA
31.4
0.1
0.5

FLUCTUATIONS IN THE NUMBER OF

BUILT PER MONTH ~ PER 10,000 FAMILIES ~ IN ALL CITIES

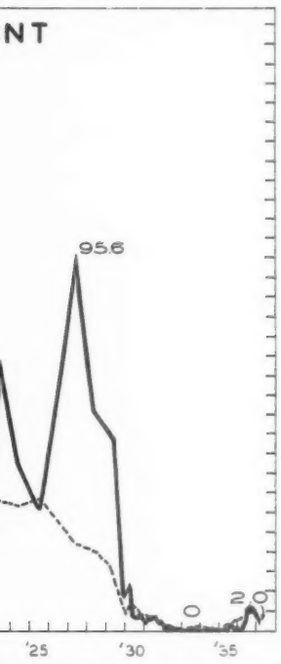
NUMBER OF NEW FAMILY ACCOMMODATIONS ~ BUILT PER MONTH ~ PER 10,000 FAMILIES

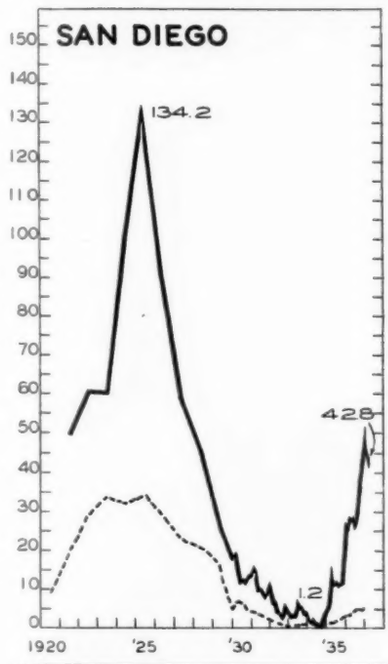


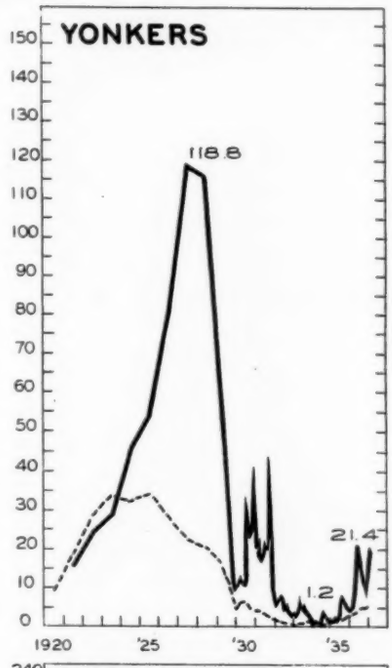
★ LESS THAN 100,000 POPULATION IN 1930

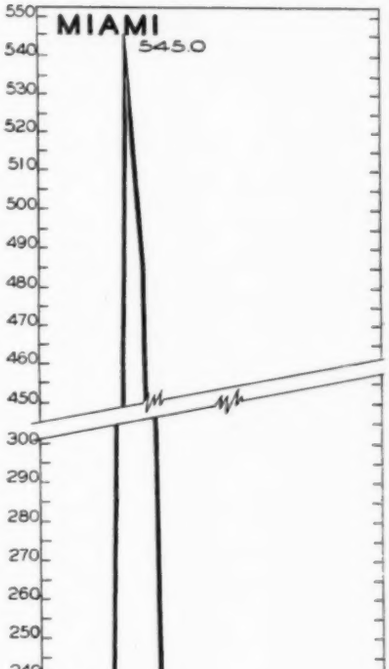
ER OF NEW FAMILY ACCOMMODATIONS

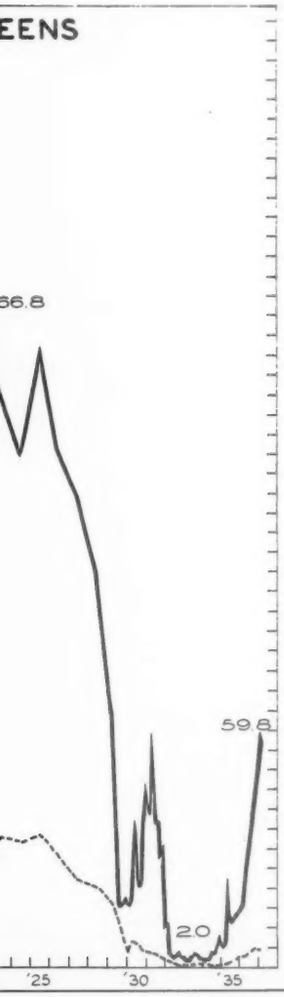
L CITIES HAVING MORE THAN 100,000 POPULATION IN 1930

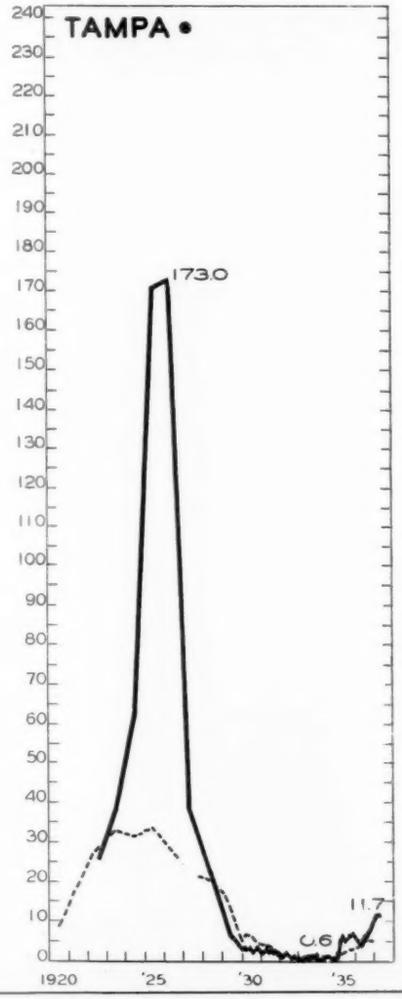


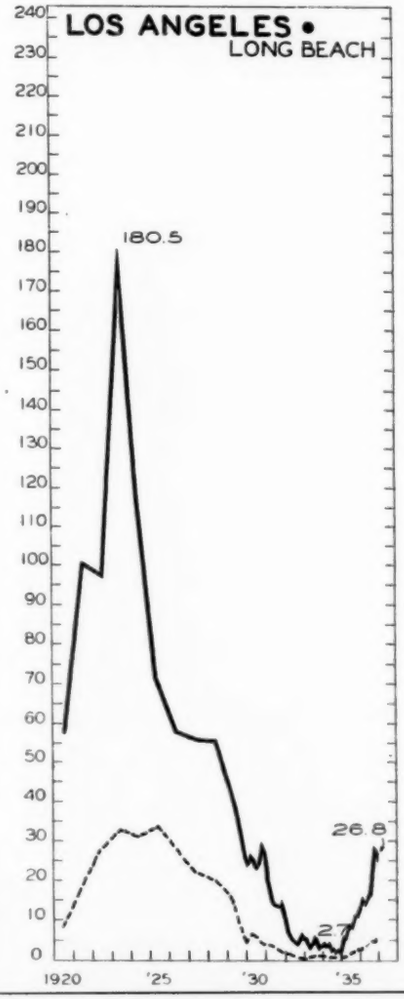


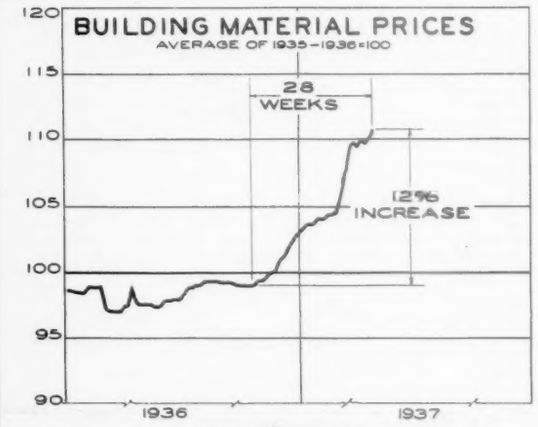










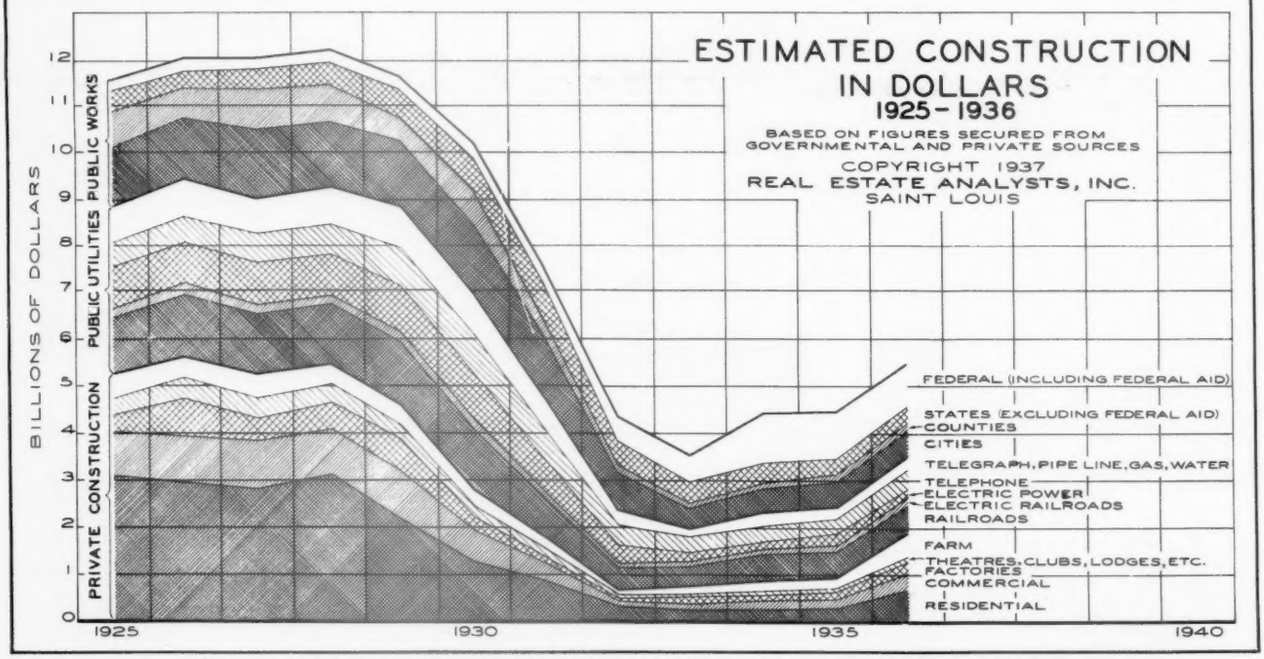


The chart at the bottom of the first page of this bulletin shows in larger detail the volume of typical residential building in metropolitan areas of the United States from 1921 to the present. This chart does not include the housing accommodations provided by large slum clearance projects of the Government.

Building costs are rising quite rapidly. The chart to the left shows the fluctuations in the price of building materials by weeks for 1936 and 1937. It will be noticed that in the latter part of '36 building material prices started rising quite rapidly and that during the past twenty-eight weeks they have advanced by 12%. While this rise may have some slight interruptions, we believe that the trend will be definitely up for some time.

The rapid rise in the cost of building will act as a retardant on the volume of new building. This will intensify the space shortage and will accelerate the rise in rents and values on properties now built.

The chart below shows the volume in dollars of the various types of building in the United States from 1925 through 1936. It will be noticed that private residential building has shown the greatest gain and that building through Federal grants, while continuing at a fairly high level, is decreasing as a percentage of the total. We believe that Government building will decline in actual volume during the next few years as the need for economy will overshadow the social housing ambitions of the present Administration. The Wagner Housing Bill now pending in Congress, if it passes, will be so amended that it will not include heavy government obligations. The Federal Government is looking for some way to stimulate slum clearance without assuming heavy financial obligations. There is no way.



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The Real Estate ANALYST

MAY
1937

Roy Wenzlick
Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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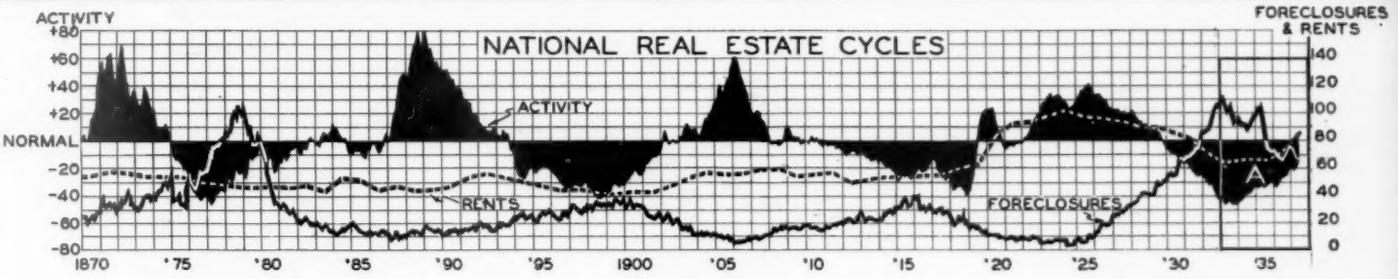
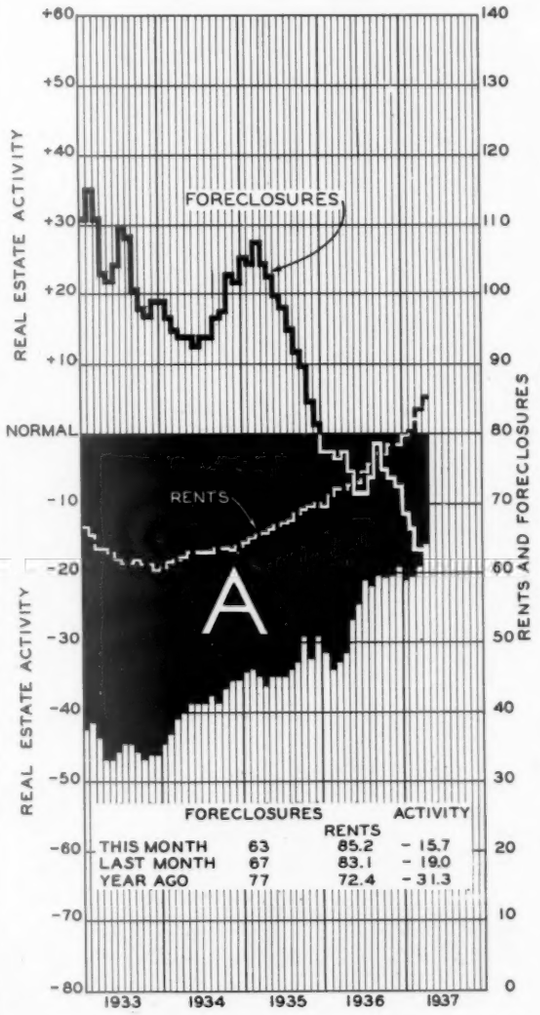
Real Estate Economists, Appraisers and Counselors





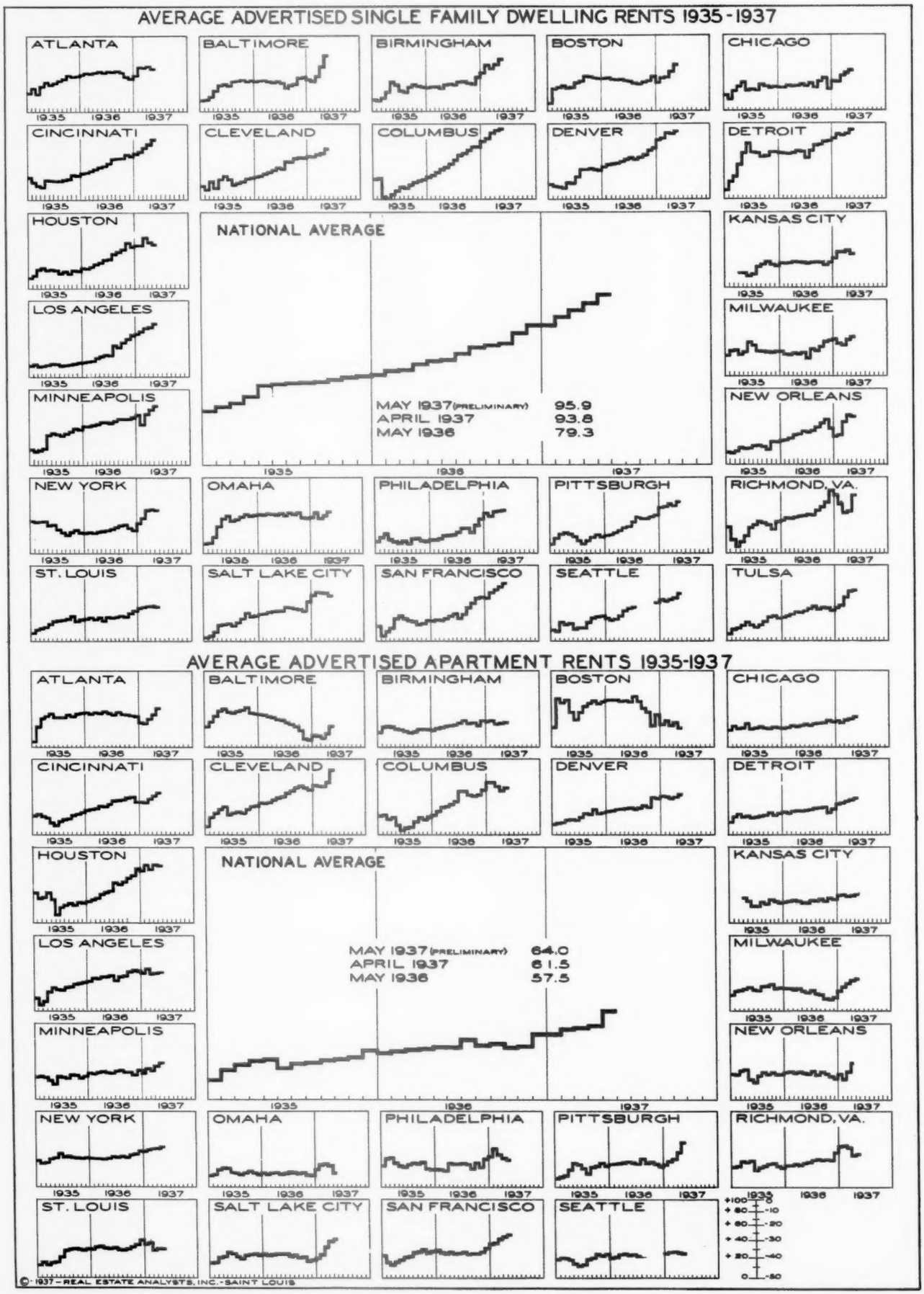
THE chart above shows the fluctuations of urban real estate activity, foreclosures, and rents in the United States from 1870 to the present. The chart to the left is the last four years of the upper chart enlarged to show monthly fluctuations. This chart is explained in detail in the article starting on page 632 in the November issue.

All of our barometers showed considerable improvement last month. Real estate sales increased at a rate much faster than the usual seasonal increase at this time of year, resulting in a higher level for real estate activity than it has reached at any time since 1930, when it passed this point on the way down. Real estate activity is now proceeding at the rate of the spring of 1919, the period preceding the development of the last real estate boom.

Rents continued their upward movement, reaching a new recovery high. We believe that this upward movement will continue for some time.

Foreclosures continued their drop during the month, reaching the lowest point in the recovery period.

Construction costs continued upward although the wholesale price of some construction materials showed slight drops during the month. These drops we believe to be temporary, due primarily to the President's deflationary statements. High construction costs will continue for some time to be a retardment to any rapid increase in new construction.


AVERAGE ADVERTISED SINGLE FAMILY DWELLING RENTS 1935-1937
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DENVER
DETROIT
HOUSTON
NATIONAL AVERAGE
KANSAS CITY
LOS ANGELES
MILWAUKEE
MINNEAPOLIS
NEW ORLEANS
MAY 1937 (PRELIMINARY) 95.9
APRIL 1937 93.8
MAY 1936 79.3
NEW YORK
OMAHA
PHILADELPHIA
PITTSBURGH
RICHMOND, VA.
ST. LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
TULSA
1935
1936
1937
AVERAGE ADVERTISED APARTMENT RENTS 1935-1937
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DENVER
DETROIT
HOUSTON
NATIONAL AVERAGE
KANSAS CITY
LOS ANGELES
MILWAUKEE
MAY 1937 (PRELIMINARY) 64.0
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MINNEAPOLIS
NEW ORLEANS
NEW YORK
OMAHA
PHILADELPHIA
PITTSBURGH
RICHMOND, VA.
ST. LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
+100
+80
+60
+40
+20
0
-10
-20
-30
-40
-50
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ADVERTISED RENTALS ON DWELLING UNITS

REAL Estate Analysts, Inc., computes the average advertised rent of single family dwelling and heated apartment units each month in the twenty-six metropolitan areas listed below. The figures given are average rents per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city. The figures given below, unlike the figures which appeared in preceding issues of The Real Estate Analyst, have been adjusted for seasonal fluctuation, as we have found some regular seasonal fluctuation in our advertised rental prices.

The average rent per month per room of all places advertised will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. The charts on the opposite page show these figures adjusted for seasonal fluctuation, city by city, with large composite charts showing the average fluctuations in principal cities. Advertised rents represent not what properties are actually renting for, but what the owners of the properties believe they will bring. After some adjustment in periods of depression for bargaining between the landlord and the tenant and for other concessions, we are convinced that these rents represent roughly the levels at which properties are being rented currently. The May figures are preliminary, based on the advertisements appearing during the first two weeks of the month.

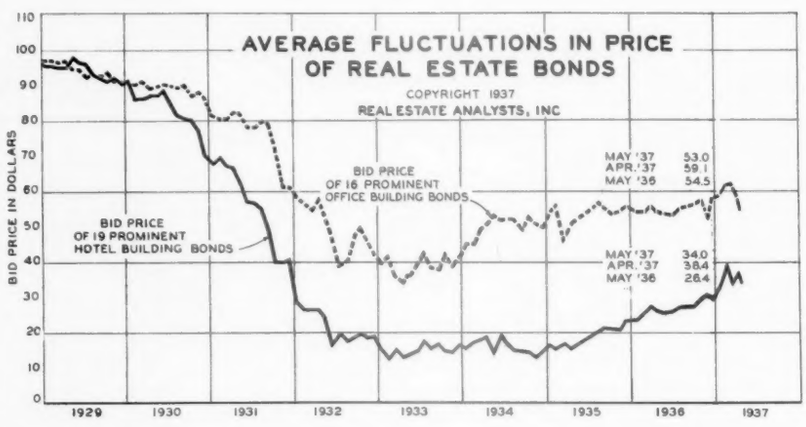
SINGLE FAMILY DWELLINGS

	1935												1936												1937				
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	*May
Atlanta	$5.96	$6.24	$5.91	$6.33	$6.54	$6.43	$6.52	$6.66	$6.75	$6.97	$6.91	$6.93	$7.03	$7.16	$7.15	$7.20	$7.23	$7.17	$7.22	$7.21	$7.29	$7.15	$6.89	$6.75	$6.99	$7.50	$7.47	$7.56	$7.37
Baltimore	5.07	5.08	5.19	5.46	5.77	5.81	5.71	5.98	5.99	6.03	5.91	5.99	5.92	5.94	5.95	5.91	5.89	5.93	5.85	5.60	5.76	5.81	6.18	6.20	6.05	5.96	6.22	6.74	7.48
Birmingham	4.47	4.43	4.57	4.80	5.27	5.11	4.85	4.80	5.01	5.12	5.05	5.03	5.01	5.03	5.06	4.98	5.13	5.15	5.13	5.27	5.28	5.20	5.18	5.50	5.70	6.13	5.93	6.19	6.42
Boston	5.98	6.76	6.83	6.99	6.85	6.89	7.19	7.27	7.61	7.58	7.45	7.40	7.40	7.42	7.31	7.29	7.30	7.25	7.23	7.09	7.05	7.20	7.30	7.55	7.19	7.48	7.55	7.91	8.46
Chicago	8.69	8.34	9.05	9.40	9.77	9.11	9.21	9.11	9.55	9.45	9.36	9.39	9.38	9.38	9.46	9.44	9.45	9.53	9.41	9.67	9.32	9.80	10.11	9.25	9.85	9.83	10.31	10.55	10.83
Cincinnati	8.06	7.71	7.48	7.35	7.76	7.83	7.82	7.81	7.90	7.93	8.23	8.19	8.34	8.38	8.53	8.68	8.83	8.93	9.11	9.50	9.53	9.54	9.83	9.70	9.98	10.12	10.49	10.79	11.30
Cleveland	7.37	7.14	7.73	7.29	7.87	8.10	7.86	7.43	7.70	7.73	7.92	8.00	8.07	8.13	8.30	8.40	8.59	8.75	8.69	9.28	9.27	9.48	9.53	9.60	9.65	9.62	9.82	9.95	10.31
Columbus	5.42	5.45	4.63	4.54	4.75	4.88	5.07	5.01	5.16	5.29	5.38	5.40	5.53	5.65	5.79	5.95	6.07	6.23	6.42	6.71	6.83	7.07	7.25	7.25	7.64	7.86	8.22	8.44	8.60
Denver	5.15	5.09	5.08	5.00	5.24	5.23	5.53	5.90	5.90	5.99	5.93	5.89	6.08	6.21	6.26	6.28	6.36	6.48	6.54	6.46	6.59	6.77	7.05	7.14	7.75	7.85	8.23	8.20	8.40
Detroit	6.03	6.48	6.74	7.52	8.34	9.13	8.40	8.35	8.10	8.18	8.42	8.42	8.35	8.32	8.29	8.40	8.55	8.51	8.09	8.49	9.03	9.04	9.31	9.35	9.59	9.90	9.80	9.91	10.30
Houston	6.64	6.80	7.19	7.25	7.17	7.18	7.11	6.90	7.06	6.87	7.10	7.09	7.22	7.21	7.35	7.50	7.62	7.81	7.85	8.29	8.40	8.62	9.15	8.84	8.92	8.92	9.55	9.20	8.94
Kansas City	-	-	-	4.60	4.60	4.50	4.56	4.88	4.98	5.10	4.96	4.90	5.04	5.02	5.05	5.10	5.09	5.05	5.03	5.05	5.07	5.05	4.94	5.03	5.23	5.55	5.55	5.65	5.45
Los Angeles	8.42	8.52	8.33	8.37	8.46	8.56	8.54	8.40	8.43	8.46	8.53	8.64	8.68	8.72	8.74	9.04	9.18	9.28	9.25	10.05	9.85	10.34	10.62	11.12	11.13	11.46	11.73	11.81	12.29
Milwaukee	7.89	8.26	8.29	7.93	8.17	8.90	8.64	8.20	8.19	8.13	8.12	8.15	8.15	7.99	7.98	8.03	8.00	8.10	7.75	8.38	8.23	8.56	8.98	9.08	9.14	8.81	8.72	8.54	8.56
Minneapolis	5.20	5.12	5.19	5.29	5.94	6.08	6.00	5.92	6.01	6.18	6.30	6.27	6.42	6.42	6.49	6.56	6.67	6.67	6.64	6.78	6.85	6.85	6.85	6.99	7.18	6.53	7.21	7.41	7.74
New Orleans	5.07	5.05	5.11	5.23	5.21	5.22	5.34	5.35	5.30	5.20	5.49	5.54	5.64	5.65	5.74	5.90	5.98	6.10	6.05	6.13	6.34	6.55	6.78	6.24	5.81	5.90	6.63	7.07	6.98
New York	12.85	12.80	12.81	12.75	12.35	12.36	11.92	11.61	11.43	11.62	11.82	11.59	11.52	11.59	11.52	11.69	11.71	11.77	11.99	12.14	12.38	12.43	12.12	11.77	12.60	13.29	14.21	14.29	14.27
Omaha	4.94	4.96	5.24	5.79	6.21	6.37	6.10	6.19	6.31	6.46	6.39	6.41	6.46	6.40	6.47	6.44	6.42	6.50	6.37	6.50	6.47	6.52	6.26	6.22	6.30	6.53	6.21	6.35	6.59
Philadelphia	5.61	5.82	6.01	5.70	5.61	5.57	5.63	5.48	5.77	5.76	5.68	5.66	5.70	5.70	5.75	5.90	5.95	5.97	6.11	6.30	6.30	6.19	6.49	6.85	7.22	7.06	7.33	7.36	7.40
Pittsburgh	6.55	6.86	7.13	7.24	7.15	6.99	6.76	6.59	6.77	6.96	7.10	6.98	7.10	7.12	7.26	7.39	7.59	7.67	7.95	8.33	8.28	8.28	8.33	8.51	9.17	9.21	9.40	9.26	9.59
Richmond	6.33	5.67	5.31	5.58	5.86	6.32	6.47	6.63	6.59	6.44	6.24	6.63	6.71	6.86	6.85	6.90	6.96	7.07	7.11	7.10	7.39	7.69	7.98	8.88	8.52	7.82	7.26	7.34	8.40
Saint Louis	5.99	6.13	6.22	6.29	6.48	6.62	6.64	6.65	6.78	6.91	6.68	6.73	6.79	6.82	6.76	6.82	6.65	6.86	6.81	6.84	6.93	6.86	7.15	7.30	7.44	7.59	7.60	7.60	7.55
Salt Lake City	4.67	4.77	4.90	5.21	5.23	5.30	5.20	5.34	5.57	5.58	5.65	5.69	5.78	5.79	5.90	5.94	5.97	6.00	6.15	6.11	6.08	6.04	5.94	6.45	6.86	7.05	7.04	6.99	6.82
San Francisco	6.88	6.31	6.55	6.78	7.36	7.56	7.36	7.22	7.17	7.00	7.05	7.28	7.26	7.31	7.29	7.36	7.54	7.70	7.41	7.70	8.18	8.52	8.97	9.01	8.99	9.37	9.64	9.83	10.12
Seattle	5.02	4.97	5.33	5.28	5.30	5.05	5.07	5.07	5.31	5.56	5.62	5.65	5.55	5.45	5.51	5.70	5.96	6.09	6.19	x	x	x	x	6.40	6.58	6.49	6.59	6.69	6.94
Tulsa	5.91	6.16	6.21	6.31	6.51	6.34	6.28	6.38	6.58	6.86	6.95	6.79	6.84	6.95	7.06	7.14	7.12	7.26	7.38	7.52	7.34	7.45	7.41	7.27	7.42	7.65	8.23	8.74	8.77

HEATED APARTMENT UNITS

Atlanta	7.95	9.16	9.80	9.95	10.25	9.88	9.88	9.88	10.11	9.99	10.23	10.26	10.28	10.20	10.32	10.31	10.45	10.34	10.20	10.35	10.21	10.13	10.04	9.96	9.45	9.36	9.70	10.20	10.69
Baltimore	10.41	10.72	11.30	11.78	12.02	11.70	11.68	11.75	11.95	12.20	11.59	11.55	11.49	11.48	11.23	11.21	10.98	10.85	10.64	10.50	10.26	9.95	9.26	9.20	9.55	9.54	9.32	9.64	10.32
Birmingham	8.05	8.45	8.45	8.46	8.29	8.25	8.11	8.01	8.08	8.30	8.30	8.30	8.29	8.36	8.40	8.53	8.55	8.60	8.80	8.97	8.77	8.80	8.59	8.92	8.92	8.95	8.69	8.74	8.75
Boston	9.65	12.50	11.97	12.26	10.99	10.33	10.96	11.59	11.95	12.19	11.90	12.08	12.30	12.30	12.30	12.23	12.20	12.05	12.70	12.20	11.49	11.09	9.80	10.72	9.83	10.20	9.77	10.06	9.53
Chicago	11.22	11.52	11.29	11.43	11.85	11.33	11.39	11.51	11.40	11.38	11.47	11.43	11.40	11.46	11.58	11.51	11.61	11.71	11.61	11.80	11.82	11.90	12.20	12.03	12.10	11.97	12.23	12.30	12.53
Cincinnati	10.70	10.82	10.67	10.51	10.13	9.86	10.23	10.41	10.47	10.70	10.86	11.06	11.26	11.36	11.47	11.69	11.63	11.91	12.33	12.40	12.44	12.67	12.70	12.20	12.20	12.12	12.50	12.92	13.20
Cleveland	8.18	8.89	9.28	9.45	9.71	9.18	9.25	9.34	9.25	9.51	9.76	9.83	10.10	10.09	10.15	10.40	10.60	10.67	11.00	11.27	11.57	11.68	11.53	11.36	11.81	11.71	11.70	12.08	13.60
Columbus	9.01	9.09	8.71	8.87	8.24	7.90	8.05	8.09	8.58	8.89	8.72	8.94	9.07	9.38	9.74	9.76	10.00	10.21	11.30	11.30	10.79	10.74	10.82	11.38	12.13	12.13	11.72	11.28	11.52
Denver	9.42	9.50	9.60	9.75	9.76	9.73	10.01	10.43	10.27	10.76	10.43	10.48	10.53	10.60	10.71	10.72	10.76	10.86	10.69	10.90	11.15	10.98	11.99	11.92	12.09	12.08	11.83	12.00	12.31
Detroit	9.60	10.08	10.27	10.17	10.16	10.00	10.06	10.17	10.24	10.43	10.25	10.35	10.49	10.40	10.59	10.61	10.59	10.65	10.69	10.81	10.88	10.90	10.46	10.74	11.32	11.45	11.58	11.69	11.89
Houston	8.68	8.21	8.30	8.66	8.13	7.06	7.54	7.77	7.86	7.77	7.91	7.86	8.00	8.12	8.26	8.53	8.70	8.78	9.47	9.31	9.50	9.87	10.12	10.69	10.50	11.03	10.60	11.08	10.98
Kansas City	-	-	-	6.92	6.72	6.44	6.44	6.70	6.59	6.81	6.73	6.64	6.68	6.73	6.78	6.73	6.68	6.68	6.79	6.74	6.86	6.71	6.90	6.85	7.11	7.12	7.05	7.11	7.13
Los Angeles	10.13	9.58	9.80	10.65	11.17	10.96	10.88	11.22	11.27	11.47	11.62	11.69	11.75	12.09	12.07	12.21	12.21	12.44	12.79	12.33	12.36	12.79	12.96	12.92	12.66	13.17	12.51	12.58	12.59
Milwaukee	9.32	9.60	9.68	9.74	9.91	9.70	9.66	10.03	10.09	10.20	9.89	9.90	9.88	9.85	9.73	9.85	9.64	9.51	9.70	9.40	9.34	9.06	9.05	9.13	9.65	10.00	10.30	10.62	10.70
Minneapolis	8.71	8.74	8.65	8.39	8.13	8.75	8.68	8.65	8.86	8.81	8.67	8.73	9.00	8.94	9.05	9.11	9.04	9.03	9.14	9.19	9.04	9.04	8.86	9.22	9.04	9.35	9.17	9.51	9.81
New Orleans	8.23	8.22	8.55	8.65	7.74	7.70	8.18	8.40	8.23	8.38	8.28	8.28	8.41	8.49	8.35	8.44	8.37	8.34	8.54	8.24	8.42	8.28	8.10	7.95	8.31	7.90	8.48	9.19	9.12
New York	17.29	16.87	16.94	17.49	17.56	18.34	17.82	17.85	17.80	17.69	17.60	17.67	17.58	17.56	17.57	17.57	17.67	17.80	17.74	17.88	17.68	18.05	18.22	18.72	18.84	18.90	19.00	19.08	19.43
Omaha	10.00	10.19	10.55	10.71	10.66	10.27	9.97	10.13	10.22	10.40	10.23	10.07	10.23	10.11	10.21	10.24	10.10	10.21	10.38	10.32	10.27	10.30	10.00	10.02	10.51	11.01	11.09	10.30	10.20
Philadelphia	13.52	14.42	14.46	13.80	13.51	13.41	13.67	13.82	13.77	13.92	13.11	13.03	13.07	13.10	12.95	12.85	12.82	12.82	12.85	12.76	13.11	13.87	13.48	14.44	14.75	15.64	14.98	14.50	14.22
Pittsburgh	8.81	8.90	8.98	9.46	10.01	9.83	9.59	9.20	9.64	9.76	10.00	9.77	9.91	9.92	9.96	10.02	10.03	10.02	9.99	10.49	10.11	10.16	9.95	9.72	9.90	10.19	10.48	11.09	12.01
Richmond	9.70	9.76	10.19	10.09	10.23	9.41	9.62	9.76	9.93	9.97	9.77	9.68	9.80	9.89	10.01	9.85	10.01	10.03	10.29	10.41	10.31	10.41	10.40	11.00	11.62	11.72	11.53	10.72	10.32
Saint Louis	8.62	8.75	8.60	8.72	8.75	9.19	9.71	9.81	9.86	9.81	9.72	9.84	9.79	10.04	10.07	9.96	9.89	9.95	9.76	9.74	9.79	10.04	10.23	10.57	10.29	10.38	9.71	9.90	9.84
Salt Lake City	8.79	8.73	9.11	9.27	9.55	9.40	9.29	9.06	9.31	9.38	9.40	9.36	9.45	9.33	9.40	9.45	9.45	9.45	9.30	9.37	9.19	9.21	8.90	8.94	9.12	9.40	9.99	10.54	10.67
San Francisco	11.02	10.40	10.17	10.47	10.56	10.85	10.94	11.40	11.48	11.69	11.41	11.49	11.59	11.44	11.39	11.49	11.30	11.38	11.49	11.22	11.30	11.30	11.42	11.81	12.28	12.43	12.90	13.19	13.39
Seattle	10.10	10.24	10.21	10.05	9.69	9.51	9.65	10.06	10.21	10.58	10.48	10.52	10.23	10.37	10.53	10.60	10.50	10.56	10.46	x	x	x	x	10.32	10.65	10.79	10.82	10.75	10.68

*Preliminary
xNewspaper strike



THE chart to the left shows the fluctuations in the bid prices of office and hotel building bonds. The recession in general security prices has apparently affected real estate securities.

The general trend of real estate security prices is still up.

THE INCREASE IN CONSTRUCTION COST

REAL Estate Analysts, Inc., maintain a department in St. Louis for mortgagees making construction loans. In this department plans are analyzed, the actual process of construction is inspected and disbursements are authorized. This makes it possible to check local changes in construction costs quite accurately.

The rapid increase has been brought home to us in a rather striking fashion in the last few days. On October 15, 1936, a contract was let to build a four-family building in a certain section of the city for $14,070. This contract price did not include architect's fees or financing fees. The actual construction of this building was inspected and all payments authorized by Real Estate Analysts, Inc. On May 1, a contract was let for an exact duplicate of this building within a radius of two blocks of the former location. The contract was let for $16,596 and Real Estate Analysts, Inc., again checked every item of material and labor and authorized disbursements. On May 20, a contract was let for a third identical building, again in the same neighborhood, at a contract price of $17,600, or an increase of 25.7% above the price on October 15 of last year. The contractor on the first building made about 5% profit, which clearly is insufficient for the risk and labor involved. The slight increase in building activity since last October has made contractors unwilling to take jobs on that slim margin, and the present contract price should yield approximately 10% profit. Other than this, practically all of the increase is in the actual items of materials and labor.

THE VOLUME OF NEW MORTGAGES AND INTEREST RATES

THE Real Estate Analyst has long contended that interest rates on all types of mortgages depend primarily on the relative supply of and demand for capital. In an October, 1936, report we showed a comparison of the average interest rate on all new mortgages made in Manhattan with the dollar totals of these mortgages. This chart clearly showed that whenever the dollar volume of mortgages rises sharply, interest rates also rise. It showed also that a drop in dollar volume of new mortgages is accompanied by a drop in the interest rate.

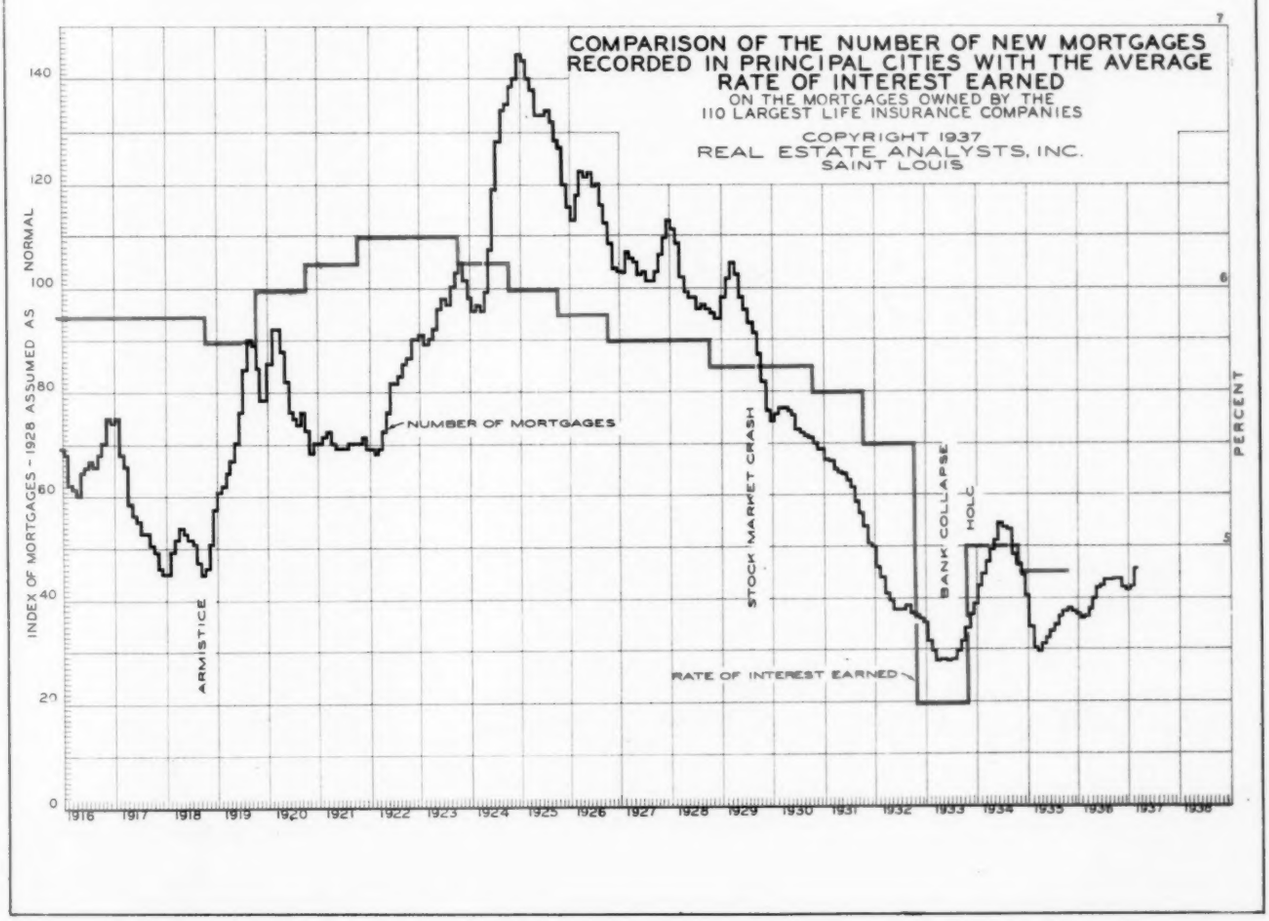
During the depression there had been a decline in the dollar volume of mortgages outstanding, as mortgagees, in a period of falling

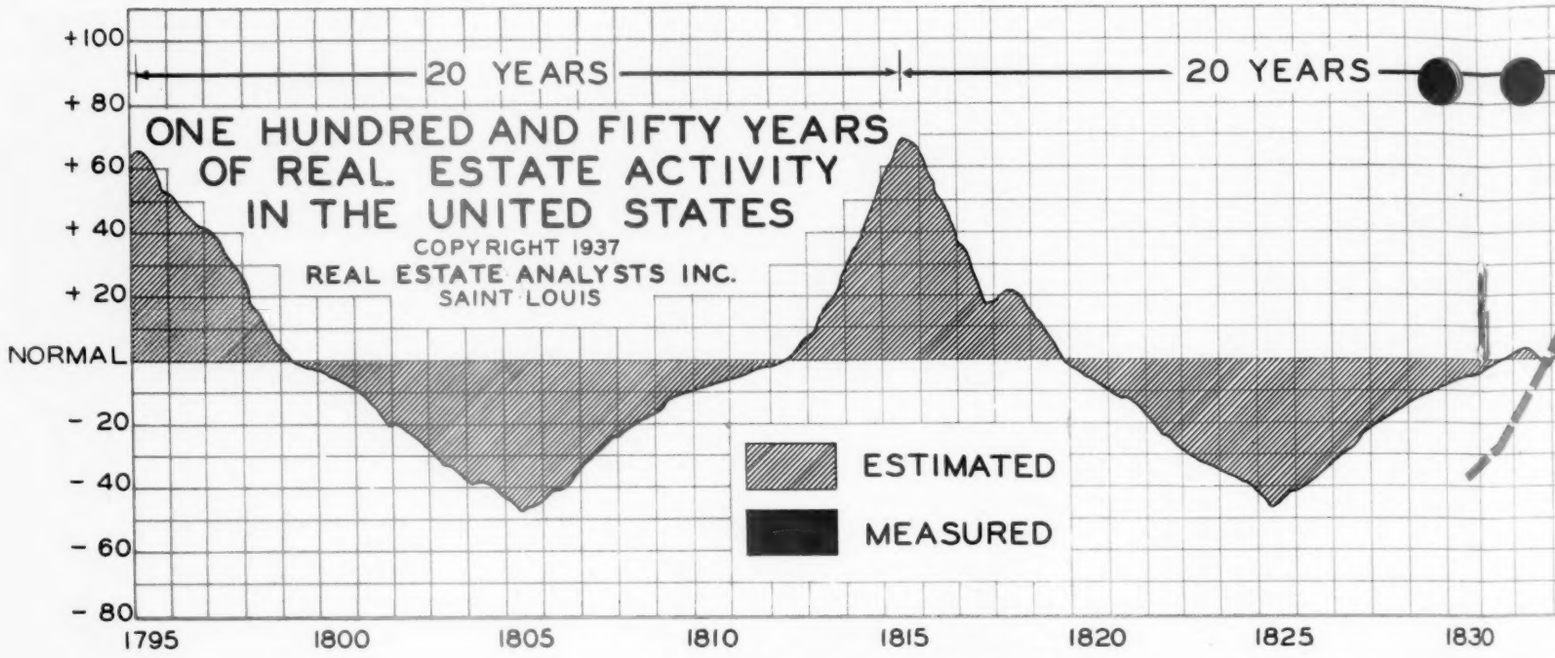
real estate values, naturally exerted pressure to bring mortgages into line with lower values.

Our charts over a long period of years would indicate that the number of new mortgages recorded will vary rather closely with both our real estate activity line and volume of new construction line. As both real estate activity and new construction have been quite low during the depression, it is natural that the number of new mortgages should have reached new lows resulting in relatively low interest rates for real estate in relation to other investments. Of course, the Government deficit and the easy money policy of the administration have also contributed to these low rates by augmenting the amount of money available for investment.

On the chart below we have shown a comparison of the number of new mortgages recorded in all principal cities with the percentage earned by the 110 largest life insurance companies on their mortgage portfolios. This rate earned should not be confused with the prevailing rate for new mortgages. The rate earned in any given year is the average rate earned on mortgages made in various years in the past, each at a rate of interest current at the time the mortgage was made. At the bottom of the depression many mortgages did not pay the rate contracted for.

We have not yet been able to get the figures for 1936 on all 110 companies. As soon as these figures are available, this chart will be brought up to date.





EXPLANATION OF CHARTS

REAL ESTATE BOOMS AND DEPRESSIONS The black areas in the top chart show measured real estate booms and depressions from 1870 to the present in principal urban areas. From 1795 to 1870 real estate booms and depressions have been estimated from incomplete data. It will be noticed that real estate booms have never come at intervals shorter than sixteen years or longer than twenty.

MORTGAGE FORECLOSURE RATE The solid red line on the upper chart shows the fluctuations in the number of urban foreclosures per month for each 100,000 families. Foreclosures are naturally higher during real estate depressions and lower during real estate booms.

RATE OF NEW BUILDING The broken red line on the upper chart shows the index prepared by John R. Riggleman on the volume of new building per capita in the United States from 1830 to the present. It will be noticed that this line duplicates rather closely the outline of the real estate booms and depressions.

MORTGAGE INTEREST RATES The black line on the upper chart shows the fluctuations in average interest rates on real estate mortgages. These rates have varied materially in different sections of the United States. In New York City, for instance, rates during the period prior to 1880 did not go above seven percent, but in many other parts of the country higher rates were the rule. In New York City at the present time interest rates are lower than they are in many other parts of the country.

RESIDENTIAL RENTS The black li
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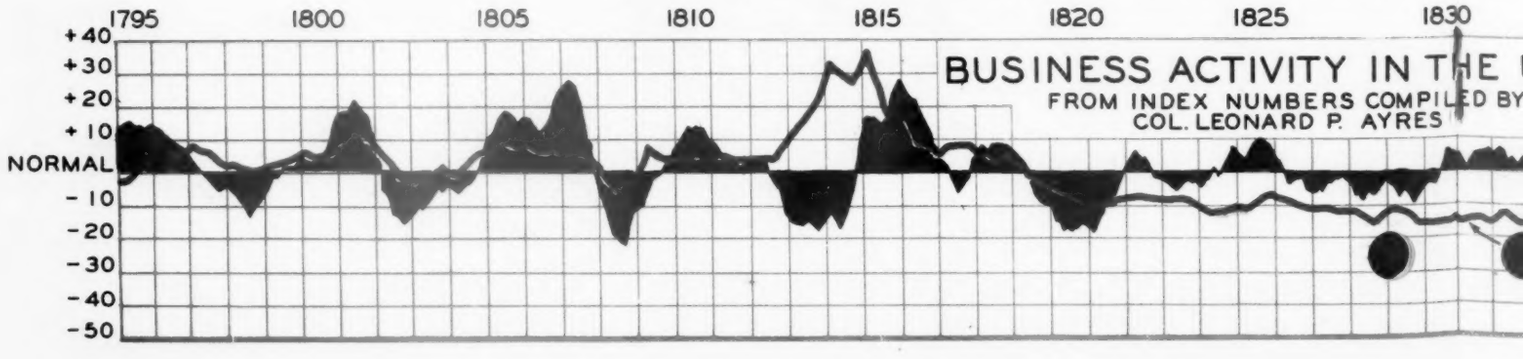
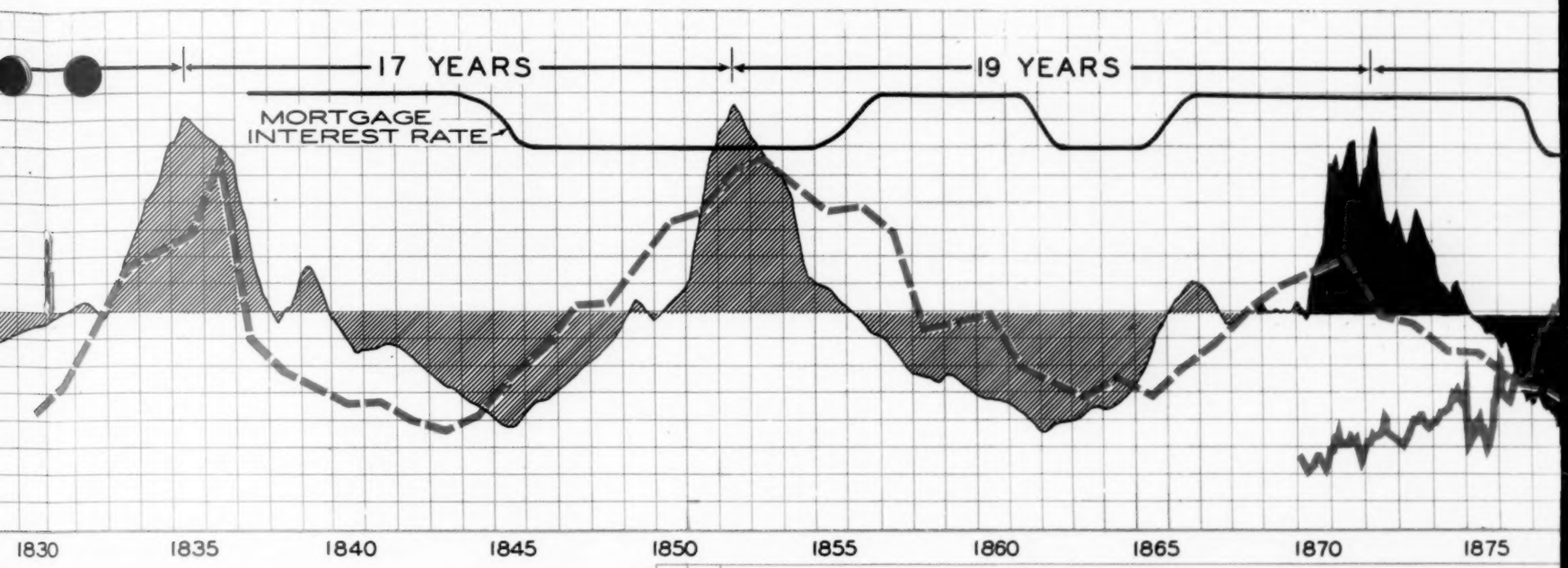
REAL ESTATE ANALYSTS, INC.
SAINT LOUIS
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS





RTS

he black line on the middle chart shows as accur-
he present time the fluctuations in residential
t this index is quite accurate in the period prior
d from 1900 on. The charting of the intervening
nsufficient number of cities and will probably be
correction in later studies.

RICES The red line shows the fluctuations month
building material prices in the United States. It
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OMS AND DEPRESSIONS The black areas in the low-
business booms and depressions as charted for the
el Leonard P. Ayres of the Cleveland Trust Company
o the same scale as the upper chart showing real
to emphasize the fact that real estate normally
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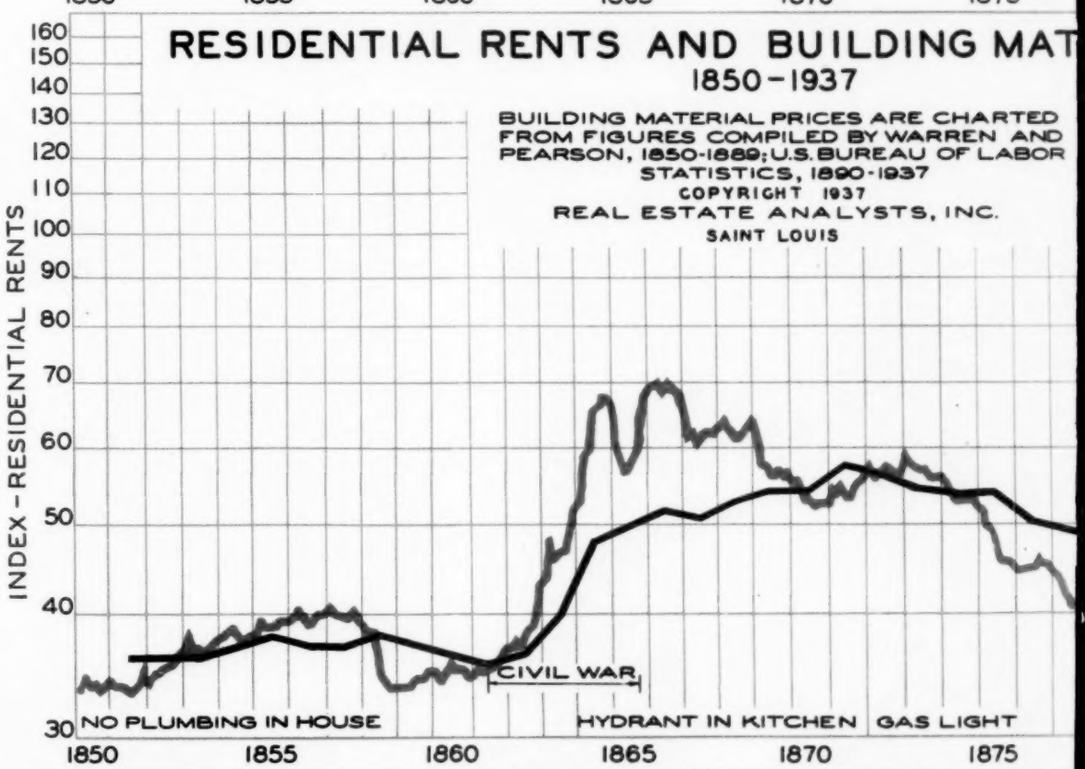
s very little regularity in the general business
state cycle has been quite regular.

TY PRICES The red line on the lower chart shows
e average wholesale price of a long list of commod-



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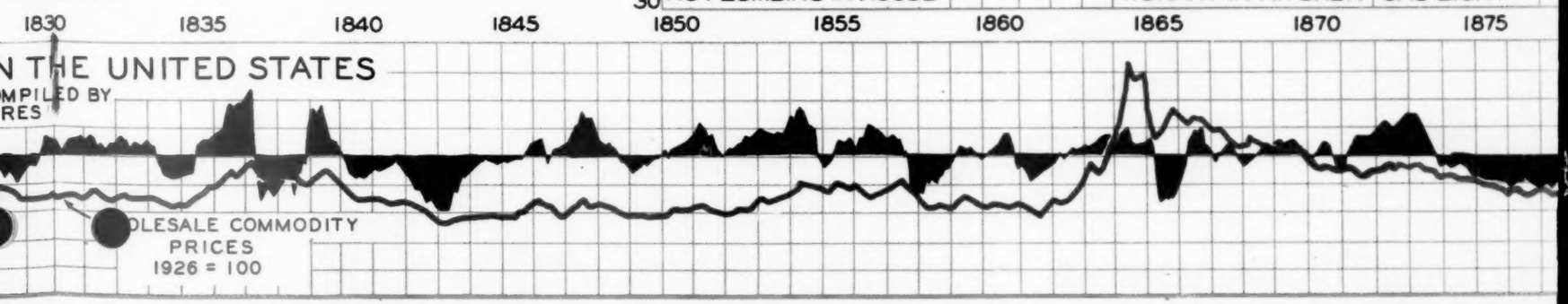

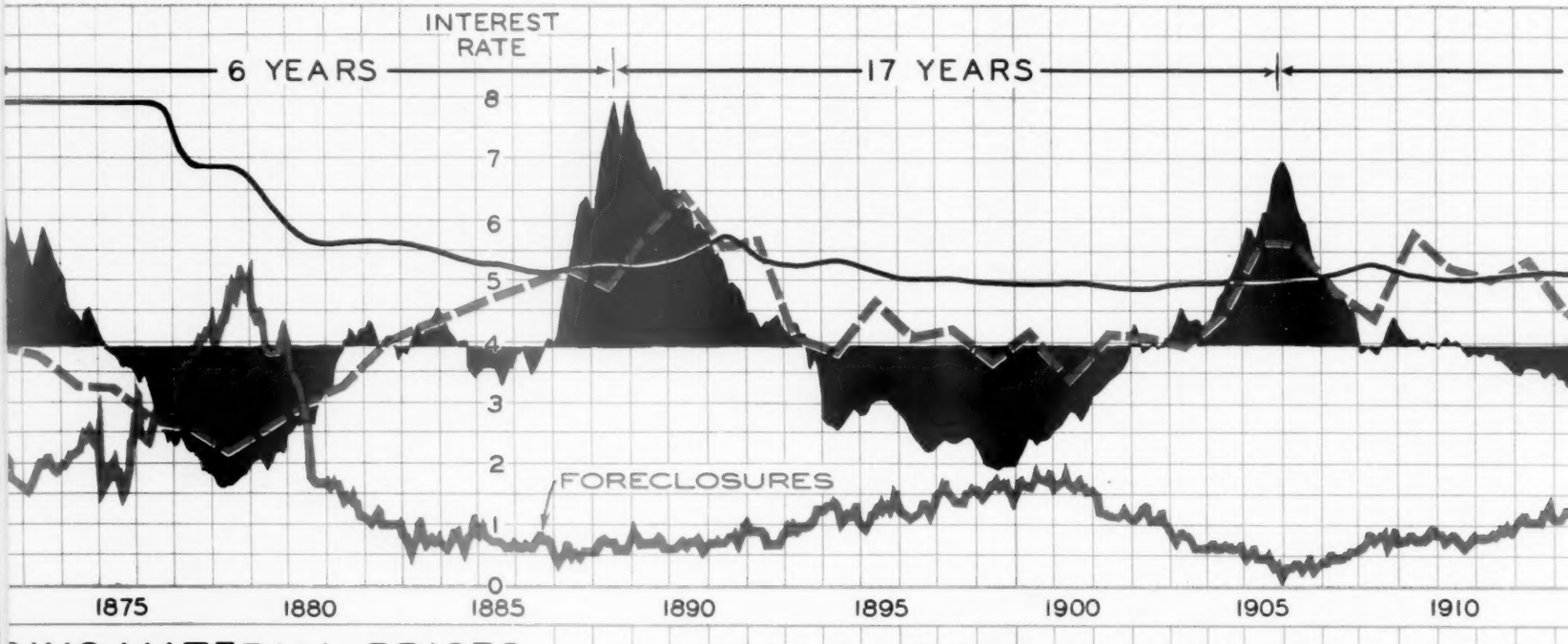

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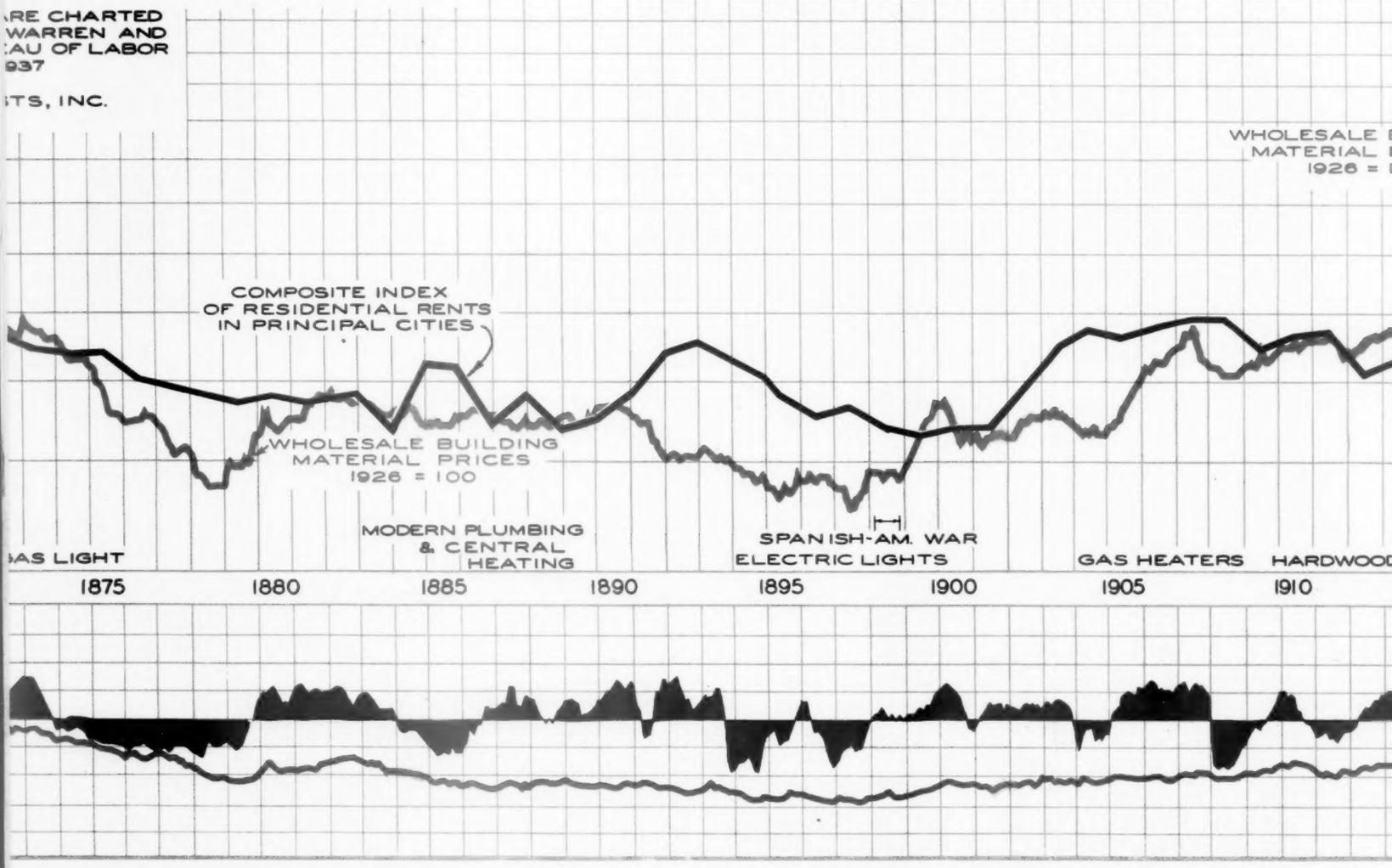

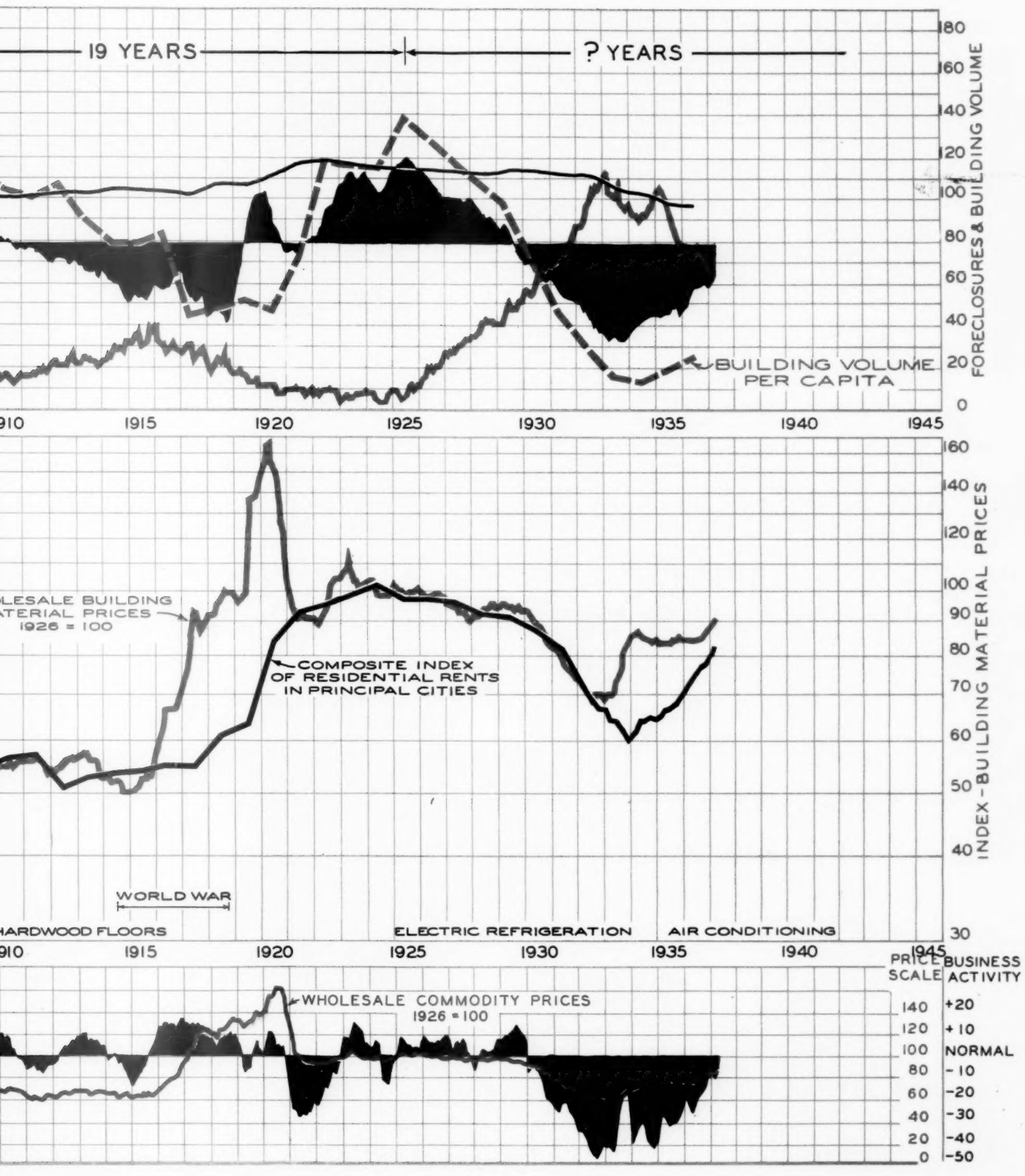
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BUILDING VOLUME PER CAPITA
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1915
1920
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INDEX - BUILDING MATERIAL PRICES
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1926 = 100
COMPOSITE INDEX
OF RESIDENTIAL RENTS
IN PRINCIPAL CITIES
WORLD WAR
HARDWOOD FLOORS
ELECTRIC REFRIGERATION
AIR CONDITIONING
PRICE SCALE
BUSINESS ACTIVITY
WHOLESALE COMMODITY PRICES
1926 = 100
NORMAL

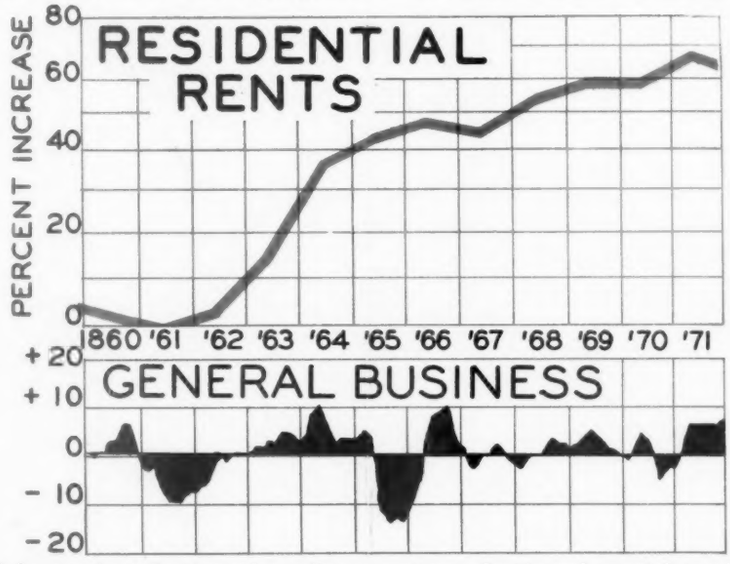
BUSINESS RECESSIONS AND REAL ESTATE RECOVERY

DURING the past two months the Dow Jones average of industrial stocks has dropped by about fourteen percent. Their average on rails has dropped by about ten percent. These drops have come in the face of splendid earning statements from business, with the chance that the second quarter of the year will exceed the first quarter in practically all lines. With the exception of the unrest on the part of labor which always accompanies a period of recovery and the recent deflationary statements of the President, practically all of the barometers of business are bullish.

Many people believe that the stock market forecasts trends in general business. In the words of the Dow theorist, "The fluctuations of the daily closing price of the Dow Jones rail and industrial averages afford a composite index of all the hopes, disappointments and knowledge of everyone who knows anything of financial matters, and for that reason the effects of coming events (excluding acts of God) are always properly discounted in their movement."

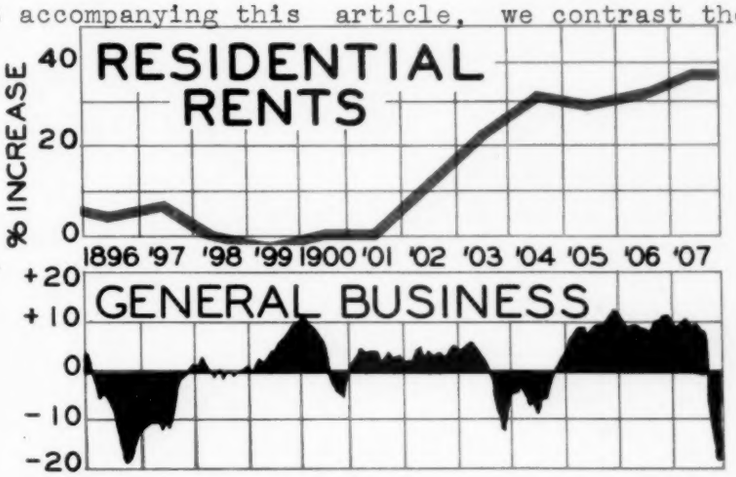
While we believe that this drop in the market is probably only a secondary reaction and not a change in the primary trend, it has caused many people to question the probability of an uninterrupted improvement in general business. Many forecasts have been made in the recent past which would indicate that some time within the next six to eighteen months general business may go into a recession. One of these just published in pamphlet form by General Charles G. Dawes under the title, "How Long Prosperity?", predicts this depression for the latter part of 1939, followed about a year later by good business. We are inclined to believe that General Dawes is probably right but for the wrong reason, that he has reached a valid conclusion in a rather unscientific fashion.

It would be quite unusual were the recovery from this depression to be unaccompanied by temporary set-backs. We shall not be at all surprised if during the next few years one or more interruptions in the underlying fundamental upward trend should take place. In the chart of "One Hundred and Fifty Years of Real Estate Activity in the United States", which we published in the December Analyst, we indicated in rough outline how we thought the next real estate boom would develop. It will be noticed that on that chart we indicated that we expected real estate activity to rise continuously during 1937 and at least during the first half of 1938. It seemed to us then, however, and it still does, that somewhere about that time there would probably be a reaction in general business which would retard the development of the irrational boom with its wild excesses, which we believe will follow later. In "The Coming Boom in Real Estate" published a year ago we placed the top of the



real estate boom around 1943 or 1944.

In the three charts accompanying this article, we contrast the general business situation as charted by Colonel Ayres with the rise in rents in three major real estate booms.

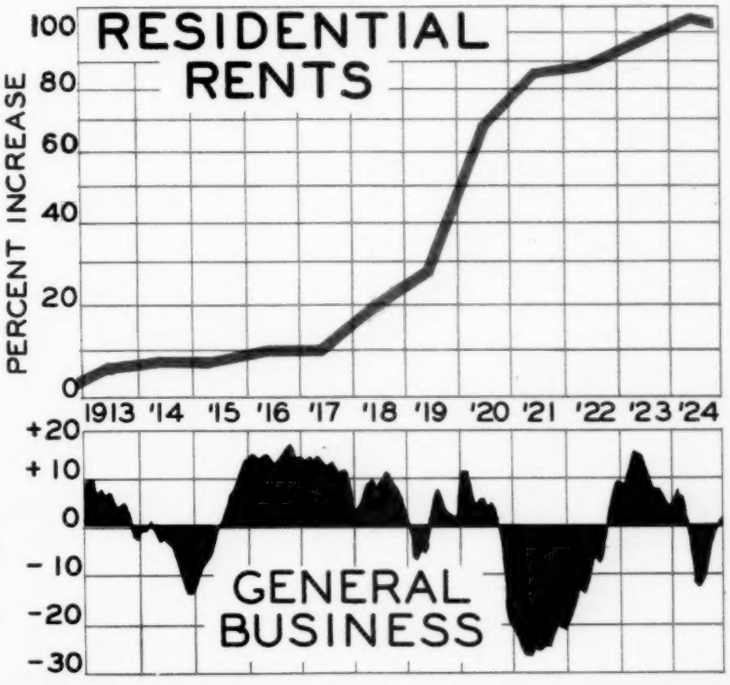


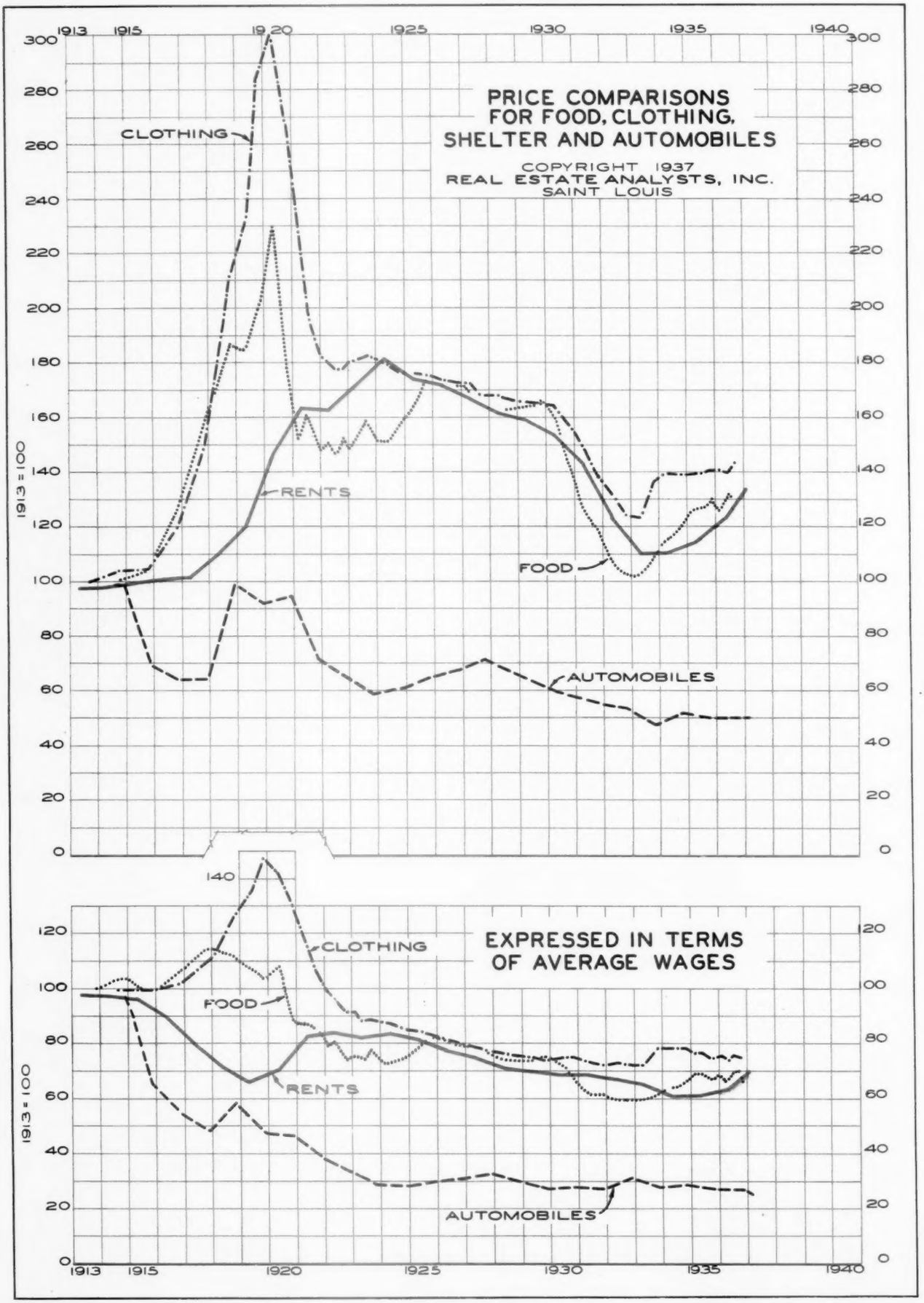
In the first chart we show this comparison for the period of the greenback inflation during the Civil War. It will be noticed that while the rapid rise in rents brought about by a preceding rise in construction costs was slightly retarded by the sharp depression of 1865 that rents quickly resumed their upward movement.

The second chart in this series shows the period before and during the real estate boom of the early nineteen hundreds. It will be noticed that the depression of 1904 again retarded slightly the rise in rents, but that this rise continued as soon as this depression was over.

The third chart shows the period immediately preceding and the first few years of the last real estate boom. It will be noticed on this chart that by 1920 and 1921 rents had acquired such tremendous upward momentum that even the unusually drastic depression in these years was not able to halt, but merely retarded, the rise which then continued into the irrational boom.

It seems to us from all of the figures we are compiling on the principal metropolitan areas that the space shortage and higher construction cost pressures which are bringing about higher rent levels have become so great that even a sharp reaction in general business could not bring about a reversal of the upward trend in rents Although it would undoubtedly curtail sharply for awhile the rapid increase which has now started in many communities in the buying and selling of real estate, as soon as the business recession was over the investing public would turn to real estate more quickly because of its favorable earning position.




PRICE COMPARISONS
FOR FOOD, CLOTHING,
SHELTER AND AUTOMOBILES
COPYRIGHT 1937
REAL ESTATE ANALYSTS, INC.
SAINT LOUIS
CLOTHING
RENTS
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AUTOMOBILES
1913 = 100
EXPRESSED IN TERMS
OF AVERAGE WAGES
CLOTHING
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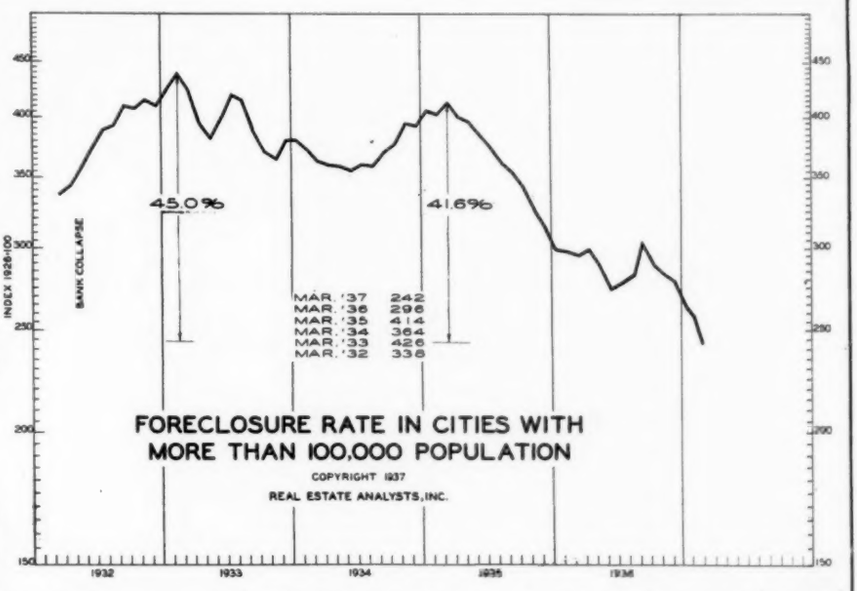
1913 = 100
1913 1915 1920 1925 1930 1935 1940
0 20 40 60 80 100 120 140 160 180 200 220 240 260 280 300

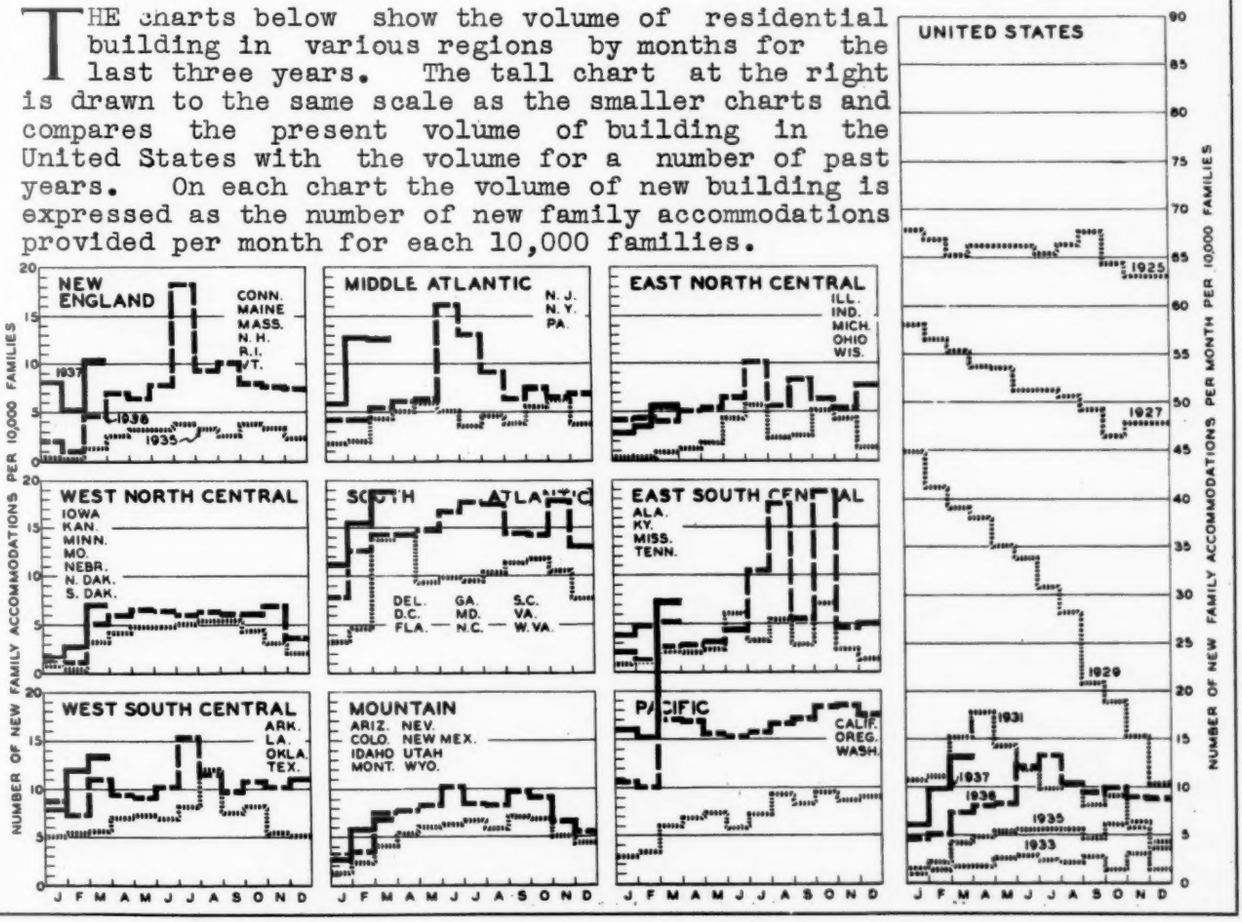
THE chart to the right shows the monthly fluctuations in the foreclosure rate in cities having more than one hundred thousand population. This chart is corrected for seasonal fluctuation and is based on the compilations made by the Home Owners' Loan Corporation.



The drop in foreclosures is continuing at a rapid rate. The foreclosures for March, 1937, the last figure available, was 45% below the peak of 1933 and 41.6% below the secondary peak in 1935. It is 18.3% below a year ago. It is still almost two and a half times the 1926 level, but it will be remembered that in 1926 foreclosures were practically negligible.

RESIDENTIAL BUILDING BY REGIONS

THE charts below show the volume of residential building in various regions by months for the last three years. The tall chart at the right is drawn to the same scale as the smaller charts and compares the present volume of building in the United States with the volume for a number of past years. On each chart the volume of new building is expressed as the number of new family accommodations provided per month for each 10,000 families.



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES
1930-1937

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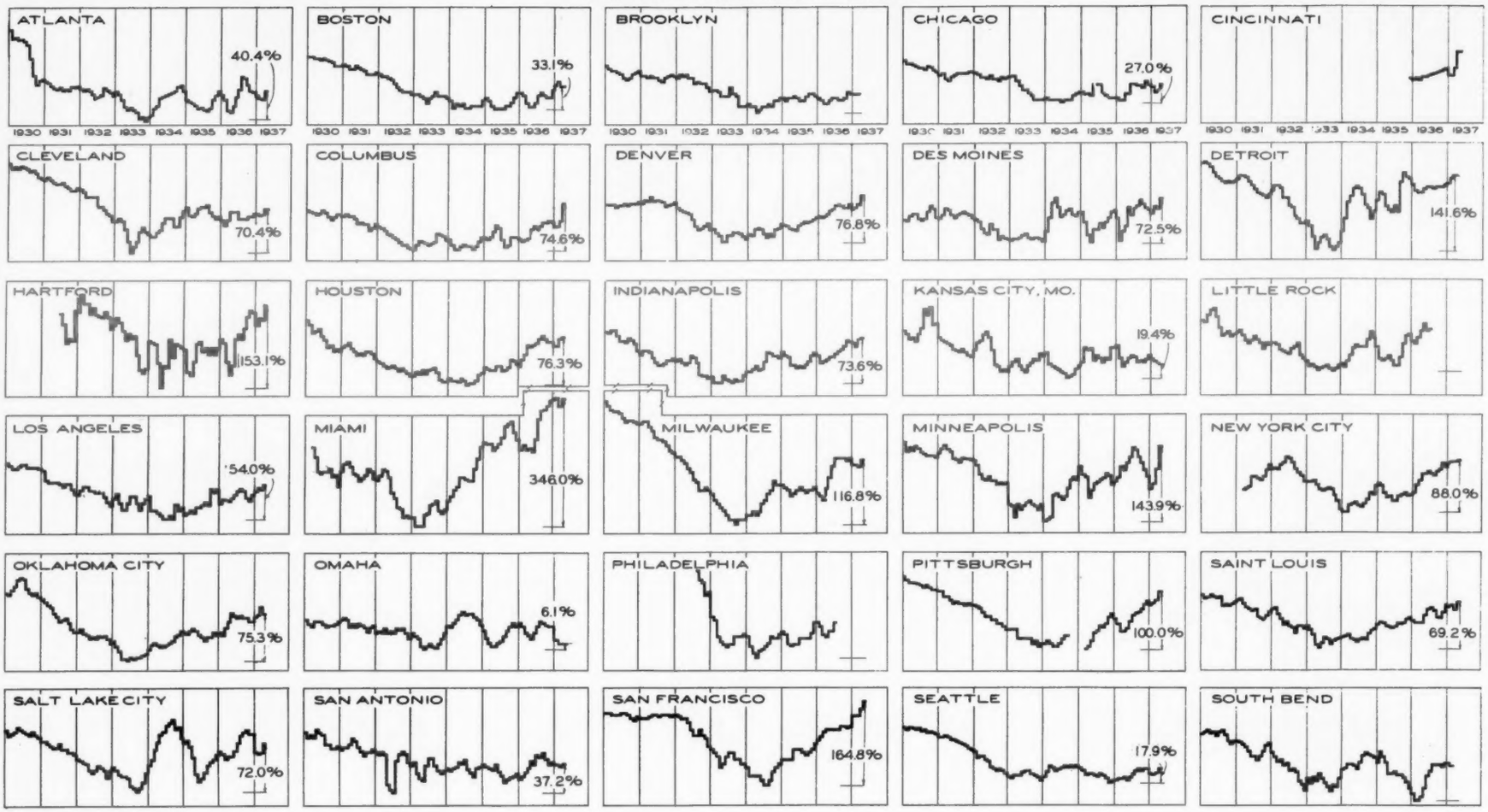
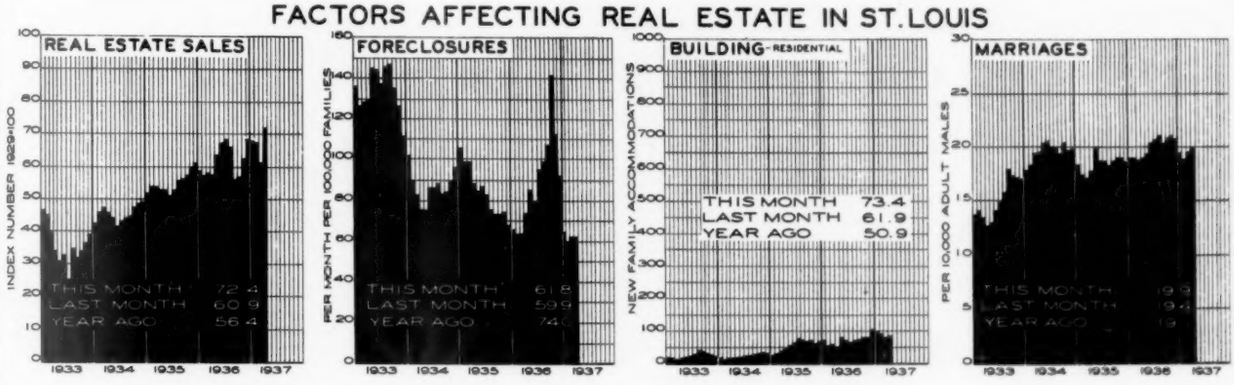


NOTE: CURRENT FIGURES WERE NOT AVAILABLE FOR THIS ISSUE IN THE CITIES WHERE NO PERCENTAGE FIGURES ARE SHOWN.

THE charts above show the monthly fluctuations in real estate transfers in cities scattered throughout the United States. The percentage figure shown on each chart gives the relationship of present real estate activity in that city to the lowest point reached during the depression.

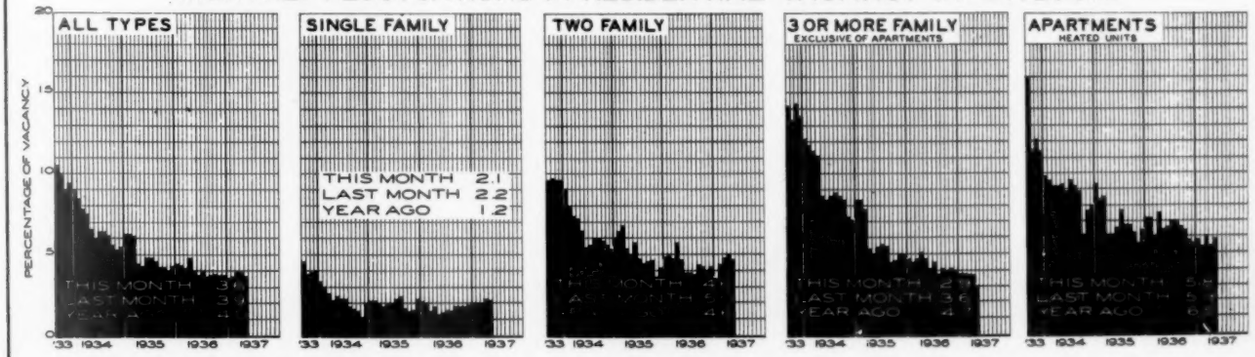
FACTORS AFFECTING REAL ESTATE IN ST. LOUIS



REAL Estate Analysts, Inc., has made an intensive study of Greater Saint Louis on the assumption that an exhaustive study over a long period of all factors affecting real estate in one representative community is often of greater value in determining the sequence of events in collapse and recovery than is a general study of the entire country.

The month of April was a very satisfactory month in the real estate business in St. Louis as, after adjustment for seasonal fluctuation, real estate sales set a new recovery high. Foreclosures were almost, but not quite, at the recovery low. New building was proceeding at only a moderate rate and residential vacancy was dropping. Undoubtedly the rapid increases in construction costs were partially responsible for the failure of new building to rise as rapidly as the land developer might wish. But this retardation will help the broker as it will increase prices on properties already built and increase their rate of turnover.

Total residential vacancy in St. Louis decreased slightly in the period from April 8 to May 10. Vacancy in apartment units increased by a small amount. This increase is probably seasonal. The number of vacant residential units in May of the last four years is shown in the table below in contrast with the number for November, 1932.

Date	Vacancies	Vacancy %
November, 1932	28,207	12.8
May, 1934	14,700	7.5
May, 1935	9,750	4.4
May, 1936	8,930	4.0
May, 1937	7,900	3.6

MONTHLY FLUCTUATIONS IN RESIDENTIAL VACANCY IN ST. LOUIS